MINUTES OF THE ADDITIONAL MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
August 21, 2017

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

Others present: Tracey Covert, Recording Secretary.

The Fire Pension Board met at Fire Headquarters Station located at 310 N. Lee St. Jeff Emmet, Vice President, called the meeting to order at 4:05 p.m.

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

NEW BUSINESS

Selection of four (4) finalist for the Request for Proposal, (RFP), for Investment Consultant.

Carl Reeb presented his top six (6): Wall & Associates, Sawyer Falduto Asset Management, Graystone Consulting, Marquette Associates, Lowery Asset Consulting and PNC Bank.

Paulette Hurd presented her top six (6): Wall & Associates, PNC Bank, Graystone Consulting, Mitchell Vaught & Taylor Inc., Marquette Associates, and the Bank of Edwardsville.

Curt Oyer presented his top six (6): Andco Consulting, Sawyer Falduto Asset Management, Graystone Consulting, Wall & Associates, Bank of Edwardsville, and Marquette Associates.

Jeff Emmert presented a recommendation: Sawyer Falduto Asset Management.

Mr. Oyer noted the unanimous selections: Wall & Associates and Graystone Consulting.

Mr. Reeb added that Sawyer Falduto would perform the functions with no change to their fees. He addressed the issue of discretionary versus non-discretionary.

Mr. Oyer added that Sawyer Falduto covered 113 funds. He believed the City would receive attention from the Bank of Edwardsville as currently their largest fund was $33 million. He added a key question for the Board to consider: is the firm a good fit for the fund. He noted that the City of Edwardsville's Police and Fire Pension Funds worked with PNC Bank.

Mr. Reeb cited the Bank of Edwardsville's promptness. The Bank was interested in this RFP. Their proposal was tailored to the fund.

Ms. Hurd added the Bank's offer to process the pension checks at no additional costs. She questioned the cost savings and questioned if the fund would have to open an account at the Bank.

Mr. Reeb informed the Board that Insight billed the fund quarterly. Their fees was billed on an hourly basis. He added that Insight was local with an office in the City. There was a convenience factor.

Mr. Reeb also noted that Lowery Asset Consulting was prompt with their email responses.

Mr. Oyer added that Lowery had local representation. The fees were good. They only have three (3) accounts. He questioned stability, horsepower and background.

Mr. Oyer cited his experience on the Police Pension Fund. He believed they considered Wall & Associates, Commerce Bank, Mischler Financial and Raymond James. Commerce Bank also had local representation.

Mr. Oyer compared Marquette versus Mitchell, (i.e. discretionary versus non-discretionary).

Ms.Hurd added Mitchell included a conversion plan for the annuities. They also would provide investment data for the Illinois Department of Insurance report.

Ron Fowler arrived at 4:18 p.m.

Mr. Oyer critique the Investment Policy. The state considered bond mutual funds as equities. They cannot be counted towards fix income.

Mr. Fowler cited the large number of clients represented by Sawyer Falduto. He believed their basis points charge based upon the numbers was reasonable.

Mr. Oyer added they had 13 clients with two (2) main staffers. The firm was exclusively non-discretionary.

Mr. Fowler noted that 20 basis points appeared to be common. Mr. Oyer added that there were firms that charged a flat fee. Basis points were at 15 on the low end. Ms. Hurd added that there were no basis points on the annuities. Basis points were at 25 on the high end.

Mr. Oyer noted that Wall & Associates' fees was 28.5 basis points on $55 million. Graystone's fees were at 15 basis points.

Mr. Fowler questioned how these fees compared to Mischler Financial. Mr. Oyer noted that Larry Rankens, Mischler's Sr. Vice President, provided an average fee of $108,000. He believed the firm received over $400,000 per year. At a future date, the fees needed to be weighted.

Ms. Hurd believed that the fees on custodial accounts were minor.

Mr. Reeb cited Wall & Associates good performance, Graystone was affiliated with Morgan Stanley, PNC Bank was a national bank. He questioned the value of a large brokerage house versus small firms.

Mr. Oyer noted that the firm selected must have the support and access to databases. He restated that Graystone and Wall were unanimous selections. The fees for Mitchell Vaught & Taylor and PNC Bank seemed high. Ms. Hurd agreed that their fees seemed high.

Mr. Oyer encouraged the Board to look at the client base. Funds through a banking relationship would be non-discretionary. There were firms that were familiar with the Fund.

Ms. Hurd noted that for PNC Bank the Fund would be their largest account.

Mr. Oyer noted that Marquette had a number of large clients. Mr. Reeb cited Marquette's various office locations. Mr. Oyer believed they had twelve (12) funds with assets over $100 million. Investment consulting appeared to be their business focus.

Mr. Oyer cited Andco Consulting has recently undergone a merger. This firm was familiar with discretionary. Marquette had their own actuaries. There were no suggestions regarding the Investment Policy. Their fee was a flat $75,000. Another key question for the Board was based upon the Fund's size, which firm would be a good fit for the next five (5) years. He suggested that the Board consider interviewing Marquette and PNC Bank. There also appeared to be interest in Sawyer Falduto.

Mr. Oyer questioned feedback regarding the top four (4) firms.

Mr. Fowler had not issues with Wall & Associates, Graystone, Marquette and PNC Bank. The Board should consider the fees, the size of the firm, and the size of our fund. Any concerns should not be forgotten about.

Mr. Oyer noted that Marquette had thirty-six (36) clients, Graystone had twenty-two (22) and Wall & Associates had thirty-four (34) clients.

Mr. Reeb questioned where the Fund would be viewed at Graystone. Mr. Oyer noted the largest fund was $124 million and their smallest was $8.3 million. Mr. Reeb noted that the Town of Normal's Fire Pension Fund works with Graystone.

Mr. Oyer believed the Board needed to drill down. He believed that both Wall & Associates and Graystone have an exit strategy and succession planning. The Board needed to consider staff resources as part of the evaluation.

Mr. Oyer expressed his preference for Andco over PNC Bank.

Ms. Hurd expressed her interest in Mitchell Vaught & Taylor. Mr. Oyer noted this firm was a discretionary type. They also believed that mutual bond funds were part of fixed income holdings.

Ms. Hurd noted this firm had one (1) account over $70 million. The majority of their funds were smaller. They offered non-discretionary consulting and had experience with annuities.

Mr. Reeb was open to adding a fifth firm. He added his surprise by the response to the RFP. He was concerned about the timing.

Mr. Oyer added the response was better than the one issue by the Police Pension. He readdressed his concerns regarding Mitchell Vaught Taylor. This firm was located in the Chicago area. Their largest fire pension fund was $70 million. They also believed that mutual bond funds were listed as fixed income.

Mr. Reeb expressed his interest in Sawyer Falduto. He questioned how they serviced 133 funds.

Mr. Oyer noted the number of recent additions. This firm was involved with the IPPFA. They started with fixed income investments.

Mr. Reeb express his comfort level with the four (4) firms: PNC Bank, Marquette, Graystone and Wall & Associates. A key concern for him was customer service.

Mr. Fowler questioned if the Board was interested in being a larger fund for a firm.

Mr. Oyer noted that smaller funds focused on discretionary. This Board was engaged and the focus has been on non-discretionary.

Mr. Fowler expressed his support for the top four (4) firms. The Board was familiar with PNC Bank. Mr. Oyer was familiar with Wall & Associates for his service on the Police Pension Board.

Mr. Oyer addressed Andco. The average fund was $48.5 million. He believed that based upon size and the firm's approach to consulting, they would be a good fit. He hoped to add them as a fifth firm to be interviewed.

Discussion regarding possible firm interview dates. Potential dates: Tuesday and Wednesday, September 12 and 13, 2017. Ms. Hurd had an Airport Authority Board Meeting on Tuesday, September 12, 2017. Potential interview dates/times: September 12, 2017 at 12 noon and 2:00 p.m. and September 13, 2017 at 12 noon, 2:00 and 4:00 p.m. Each interview would include a presentation, questions and answer period.

Mr. Oyer had drafted a handout: Interview Questions for Investment Consultant Finalist. These questions were general ideas. He believed the Board needed to set a time limit for the presentation, which would be followed by a Question and Answer (Q & A) period. The handout would be provided in advance. He recommended an initial fifteen to thirty (15 – 30) minute period for the initial presentation which should address the questions provided on the handout. The Board would then have a Q & A period and time for discussion, if any. The firms needed to know more about the Board and our risk tolerance. He offered to provide an ecopy of the draft to Mr. Reeb. He welcomed additional questions from the Board. The firms should view this handout as discussion resource.

Ms. Hurd questioned if the seven percent (7%) return was reasonable or if the Board needed to make an adjustment. She cited the statutory maximum on equities, (i.e. sixty-five percent/65%). She added that the Board should also discuss how often the Fund should be rebalanced, (i.e. sixty-five percent/thirty-five percent, 65%/35%, split between equities and fixed income).

Mr. Oyer recommended that this issue be added to question 2. *What internal (specific to our Fund) and external (legal, economic, investment environment) factors do you take into consideration when developing a recommended investment allocation for Article 3 & 4 pension fund clients?*

Mr. Oyer presented suggestions for the Investment Policy. Currently the Policy listed safety as the number one priority. Liquidity and return on investment were listed as priority two and three respectively. He expressed his belief that there was too much focus on safety. The impact of this decision meant that returns may suffer. He recommended that the Board reevaluate the order of these priorities.

Mr. Oyer requested once the interviews were scheduled with the five (5) finalist that Mr. Reeb should provide this information to the Board. The Board's expectation was to allow fifteen to thirty (15 – 30) minutes for presentations. Followed by discussion. Total time allowed per interview would be sixty to ninety (60 – 90) minutes.

He welcomed any Board questions and/or amendment to the Interview Question handout.

Motion by Carl Reeb, seconded by Paulette Hurd that the Board interview the following five (5) firms that responded to the RFP for Investment Consultant: AndCo Consulting, Wall & Associates, PNB Bank, Graystone Consulting and Marquette Associates.

Motion carried, (viva voce).

Mr. Oyer requested that Mr. Reeb prepare and mail rejection letters to the other firms.

Mr. Oyer addressed the other item on the Agenda: discussion of Annuity Investments. He had attended a four (4) hour seminar regarding same. It addressed fixed annuities. He had information regarding fees for same. He believed that the fee average for these investments on the Fund had been $400,000 per year.

The variable annuities were held in separate accounts. Fixed annuities were different. The insurance company made the investments and paid the fund plus their expenses. Earnings were used on investments. Expenses came off the top. There must be dollars for the death benefit. He believed the annual fees were three percent (3%) per year. He cited the following fees: 1.) marketing at 1¼%; 2.) investment management at ¾%; and enhance death benefit at 1%. He believed the fees for the variable annuities were $1 million per year and for the fixed income the fees were $200,000 - $300,000 per year. Indirectly, these fees impacted return.

The indexed annuities were fixed. A percentage was paid per year. This was tied to the equity market. If the market went up, a return was guaranteed. He estimated this amount at 1½% per year over ten (10) years. This resulted in a total of fifteen percent (15%) over the life of the annuity. There was a possibility for loss with variable annuities. There is an option to withdraw ten percent (10%) per year. There also were surrender charges during the first seven (7) years. An annuitant's life expectancy was ten to fifteen (10 – 15) years. He questioned the value of the guarantee. Mr. Rankens stressed the positive points of this type of investment.

Mr. Oyer was not comfortable with the Fund's entire portfolio being placed in annuities. In order to make a return, the Board sells a portion of the ten percent (10%). He questioned objectivity. The fund's focus was too narrow. EFT were a legal investment. Mr. Rankens did not know this.

Mr. Fowler believed the change would be helpful.

Mr. Oyer stated there would still be a place for fixed annuities or fixed indexed annuities. There was no place for variable annuities. There was a potential for a windfall, (i.e. death event). The current death benefit value was $9 million. Since this type of investment was no longer allowed, he questioned their value. He questioned how the Board would unwind its current holdings and not lose money. The Board needed a firm with experience in this area.

Mr. Reeb provided the Board with an Amended Notice of Hearing. A Disability Hearing was scheduled for Wednesday, August 30, 2017 at 9:30 a.m. at Fire Station Number 2 located at 1911 E. Hamilton Rd. He needed feedback from Don Craven, Board attorney regarding the timing to release the physicals. The City had filed a motion to intervene. Mr. Craven recommended that the Board allow same. The Board had the authority to deny same. There was the potential for either party, (Mr. Augsburger or the City), to appeal the Board's decision.

Mr. Fowler noted that disability hearings were scrutinized. For an individual to be eligible, he/she must be on an emergency call.

Mr. Reeb noted that the request was for a Duty Disability. This would be Mr. Augsburger's attorney first pension hearing. He was known for his worker's compensation work.

Motion by Carl Reeb seconded by Jeff Emmert to adjourn. Time: 5:30 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ronald E. Fowler	Carl R. Reeb
Ron Fowler, President	Carl Reeb, Secretary