MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
July 21, 2017

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

Others present: Larry Rankens, Mischler Financial Group's Senior Vice President, and Tracey Covert, Recording Secretary.

The Fire Pension Board met at Fire Headquarters Station located at 310 N. Lee St. Ron Fowler, President, called the meeting to order at 4:03 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 minutes of April 21, 2017 with the following correction: Mr. Emmert had twenty-six, (26), years of service and the additional minutes of May 19 and June 20, 2017.

Motion carried, (viva voce).

TREASURER'S REPORT

Carl Reeb presented the Treasurer's Report. The account balances on June 30, 2017 were as follows:

Bloomington Municipal Employee Credit Union:	$98,283.83
IL Funds:	$259,512.63
PNC:	$8,453,583.98
Mischler Financial:	$71,022.47

He noted the PNC balance on July 21, 2017 was $8,482,084.89.

The monthly pension costs were as follows:

April 2017	$416,489.00
May 2017	$410,141.34
June 2017	$413,329.94

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

Don Craven (Board attorney)	$4,787.50 legal fees
Insight (Board accounting firm)	$1,729.13
Paulette Hurd (seminar reimbursement)	$317.68
Tracey Covert (recording secretary)	$225.00
Curt Oyer (seminar/travel reimbursement)	$1,034.77
Carl Reeb (postage reimbursement)	$23.75
Normalite (notice RFP Investment Consultant)	$25.00
Pantagraph (notice RFP Investment Consultant)	$388.80
Dr. James Williams (independent medical exam Augsburger)	$2,500.00
Orthopedics of Illinois (independent medical exam Augsburger)	$1,800.00
Springfield Clinic (independent medical exam Augsburger)	$1,500.00
IL State Treasurer (FY 2018 Compliance Fee)	$8,000.00
TOTAL:	$22,331.63

Mr. Reeb added that Don Craven, Board attorney, selected the three, (3), independent physicians for the Augsburger pension hearing. The Compliance Fee was due to the IL Department of Insurance, (DOI).

Motion by Paulette Hurd, seconded by Jeff Emmert to accept the Treasurer's Report.

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

Nays: None.

Motion carried.

SEATING OF NEW TRUSTEES

Mr. Fowler noted that this was Mr. Emmert's first meeting since the April election.

The Board elected its officers for the coming year. Mr. Reeb noted that state statute required a President, Secretary and Treasurer. Under state statute, Patti Lynn Silva, City of Bloomington's Finance Director, served as the Treasurer of the Fund. The following individuals were nominated: Ron Fowler, President, Jeff Emmert, Vice President and Carl Reeb, Secretary.

Motion by Curt Oyer, seconded by Paulette Hurd that the following individuals be elected to serve the Board as follows: Ron Fowler, President, Jeff Emmert, Vice President and Carl Reeb, Secretary.

Motion carried, (viva voce).

FINANCIAL INVESTMENT REPORT

Larry Rankens, Mischler Financial Group's Senior Vice President, addressed the Board. He provided the Board with three, (3), documents: Summary Report, Fixed Annuity Summary Report and a Variable Annuity Summery Report. The portfolio value had increased to $58.6 million. He cited equity performance and the strong market. Equities equaled fifty-seven percent, (57%).

Mr. Rankens addressed GASB, (Government Accounting Standards Board), 72. This was a new ruling that instructed auditors to use the Market Value not the Surrender Value of annuities. This change would increase the Fund's total value by an estimated $2.6 million. He directed the Board to the Fixed and Variable Annuity Summary reports. He noted the difference between the Surrender Value and the Market Value, (i.e. for Fix Annuities $16,391,169.29 versus $17,765,238.11 and for Variable Annuities $33,377,008.77 versus $34,643,050.00). He estimated the Fund's total value at $62 million.

Mr. Oyer questioned the effective date of GASB 72. Mr. Rankens recommended that the Board direct this question to its auditors. Ms. Hurd believed the effective date was the end of the last fiscal year, (i.e. April 30, 2017).

Mr. Reeb offered to follow up with Ann Van Vooren, Lauterbach & Amen, outside auditor.

Mr. Rankens offered to revise the Summary Report as he had used Surrender Values. He added the Fund's total value would be an important factor of the RFP for Investment Consultant. The fee is usually based upon the assets total value. The Market Value would be higher than the Surrender Value.

He noted that the Board had adjusted its equity holdings downward for the end of the Fiscal Year. He believed that it was time to put these dollars back to work. In the last three, (3), months, the market had increased over five percent, (5%). He estimated the potential loss earnings at $350,000. The potential for significant earnings was being lost. He noted that the DOI's Consent Order meant no more variable annuities with riders. The Board could consider equity indexed annuities.

Mr. Reeb added that the Board would stay out of the market at this time. He cited the Board's May 19, 2017 Additional Meeting Minutes. The Board has passed a motion to that effect at that meeting. He deferred to Mr. Oyer and Ms. Hurd.

Mr. Oyer addressed Standard & Poors', (S &P), Electronically Traded Fund, (ETF), with a broader market index.

Mr. Rankens restated that the DOI Consent Order addressed variable annuities with Death Benefit Rider, (DBR). DOI had determined that ETFs were acceptable. This type of investment was not addressed in state statute. EFTs mirrored S&P index. They offered low price but there was principal risk.

Mr. Oyer suggested they be purchased through custodial accounts. Mr. Rankens offered to reach out and investigate same. The Board had a custodial account with Mischler Financial. He believed there were a couple of bond holdings. He also suggested that the Board reach out to PNC Bank or a brokerage facility as they might provide custodial accounts.

Mr. Oyer addressed the subject of compensation. Mr. Rankens restated that Mischler Financial did not charge the Fund any fees. A brokerage company may charge fees. Mischler Financial must report all fees. There was a new form provided by the federal Department of Labor. Mischler must report fees for all annuities, fixed and/or variable.

Mr. Oyer stated the Board's goal to select an Investment Consultant at the October 20, 2017 meeting.

Mr. Rankens noted that ETF were liquid. Mr. Oyer recommended that the Board wait until after the October 20, 2017 meeting.

Mr. Rankens encouraged the Board to inquire about PNC's checking account interest rate. Funds could be moved from PNC to the IL Funds as the interest rate might be higher. IL Funds has two, (2), separate funds. He recommended the Board visit the IL Funds website.

Mr. Reeb noted that Mr. Fowler would need to reach out to the IL Funds. Mr. Oyer believed that the Board received a monthly statement from IL Funds.

Ms. Hurd added that a portion of the PNC checking account was in an overnight sweep account.

Mr. Rankens expressed his opinion that the Board was in a good position. The current Death Benefit Value was $9.3 million.

Mr. Oyer believed that the variable annuities had fees in the two to three percent, (2 – 3%), range. Mr. Rankens noted that the fixed annuities had lower fees. Mr. Oyer believed that there were a variety of fees charged. Mr. Rankens cited Management Expenses, (administration). Mr. Oyer cited the DBR. Mr. Rankens acknowledged that this fee varied from contract to contract. Mr. Oyer questioned possible fee savings. Mr. Rankens estimated one percent, (1%), as each contract was different. He added a standard contract with no riders the fees would range from one to one and a half percent, (1 – 1½%). The DBR provided protection from the downside. There was also an Enhanced Earnings, (EE), fee.

Mr. Oyer restated there were separate riders and fees varied with each contract. Mr. Rankens noted that the DBR and EE fees were combined into a single fee. These two (2) riders would no longer be allowed under the DOI Consent Order. The DBR fee was five percent (5%) compounded. The EE fee was forty percent, (40%), of the investment. Mr. Oyer questioned gross or net. Mr. Rankens stated after fees.

Mr. Oyer questioned if the Board received the higher of the two, (2), fees: DBR or EE. Mr. Rankens stated there were caps/maximums for each. Mr. Oyer questioned if the EE was a step up. Mr. Rankens responded negatively.

Mr. Oyer questioned if the principal was guaranteed. Mr. Rankens stated from the time the contract was signed. There was a look back period and a seven (7) year surrender charge period.

Mr. Oyer questioned the impact if the Board terminated the contracts. Mr. Rankens informed the Board that they would receive the surrender value. Mr. Oyer noted that the Board must hold each contract for seven, (7), years to receive the full value. Mr. Rankens stated the exception would be a death event. If the contracts were liquidated at this time, then the Board would receive the surrender value. There might be a gain over the purchase value. The Board should consider all values, (Surrender Value, Market Value and Death Benefit Value). These values should be reviewed at the time the RFP, (Request For Proposal), is issued. He reminded the Board that ten percent, (10%), could be withdrawn every year with incurring a surrender fee.

Mr. Oyer directed the Board to the Variable Annuity Summary. He specifically cited the Delaware contracts. It appeared that for five, (5), of them the Surrender Value was lower than the Net Investment. Mr. Rankens believed that Board must have withdrawn the earnings on these contracts. He would have to review each contract to verify the history of withdrawals. There was a worksheet for each contract.

Mr. Oyer questioned the possibility that the Board had withdrawn principal and earnings. Mr. Rankens restated that the Board had avoided surrender charges. Contract performance went beyond the Summary Report. He offered to meet with Mr. Oyer and review each contract.

Motion by Carl Reeb, seconded by Jeff Emmert to accept the Financial Report.

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

Nays: None.

Motion carried.

Mr. Reeb questioned the commissions paid Mischler Financial for the past five, (5), years. Mr. Rankens stated his intention to provide same. He added that these were passive investments. The Board has had a history of buy and hold, (i.e. no transactions). An Investment Advisor/Investment Consultant will charge annual fees. The Board will have to make an apples to apples comparison. He restated that all fees had been paid to Mischler Financial by the insurance companies. One, (1), fee was paid over the life of the contract. For the five, (5), annuity contract, the average was $108,000. The cost appeared high on the front end. He planned to use a ten, (10), year average. These fees were not taken from the fund’s earnings. He reviewed Fiscal Years 2012 – 2016. The portfolio value was $49 million. Total fees equaled ninety, (90), basis points. He restated that the fee came from insurance companies. There was a price per contract and the rate was set by the insurance company.

Mr. Reeb questioned payments. Mr. Rankens restated that it was a one, (1), time fee. There were no trailer fees. Mischler Financial did not believe in same. The goal was to keep fees low. It had been a choice in order to provide Pension Funds with the best value.

Mr. Oyer restated that the insurance companies had paid Mischler Financial a commission. However, the Board also paid an annual fee which equaled two to three percent, (2- 3%). Mr. Rankens restated that none of the principal was lost. The Board has principal protection plus a guaranteed annual compounded five percent, (5%), rate of return.

Mr. Oyer noted that if the Board did not have the EE rider than it would not have this guarantee. Mr. Rankens restated that the Board still had the principal protection if the annuitant died, (i.e. Death Benefit Rider). Mr. Oyer noted that the legality had been questioned. Mr. Rankens restated that the annuity contract had principal protection. The Death Benefit Value was an additional fee. If the Board cancelled the contract, than it would receive the Surrender Value. If the Board waited for the contract to mature and cash flow allowed, then the Board would receive the Death Benefit Value. In closing, he restated that the principal was protected and for audit purposes the Market Value would be used. Mischler Financial has provided quarterly reviews. This report included retaining at least $2 million in cash.

Mr. Oyer noted that the goal was to not terminate the contracts. Mr. Rankens responded affirmatively. The Board needed to change its investment strategy due to the DOI rulings. He addressed the primary objective of the Board's Investment Policy: 1.) principal protection. For the past fifteen, (15), years, this has been done. If the Board had decided to chase yields, then it must be willing to take on additional risk. Currently, the Board had principal protection on all of its existing contracts.

COMMUNICATIONS

Mr. Reeb informed the Board that AFFI would be hosting its conference in Bloomington on October 9 – 10, 2017. Both he and Mr. Fowler planned on attending same. Mr. Emmert, new Trustee, would attend the IPPFA Conference in the fall. This will be his first year of continuing education. Mr. Emmert had already completed the OMA, (Open Meetings Act), online training in his role of Township Road Commissioner.

Mr. Reeb was currently performing a record review. He was updating the active members and beneficiary members' records.

APPLICATION TO FUND

Mr. Reeb presented Chris Moore. Mr. Moore commence his employment on May 15, 2017. The Pension Fund had not received the medical records. Don Craven, Board attorney, was supposed to provide a Medical Release Form that firefighters would complete on behalf of the Pension Board which would be provided to the City's Human Resources Department. He offered to follow up with Mr. Craven. All other paperwork had been submitted by Mr. Moore.

Motion by Carl Reeb, seconded by Jeff Emmert to accept Chris Moore into the Pension Fund effective May 15, 2017.

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

Nays: None.

Motion carried.

APPLICATION TO FUND FOR RETIREMENT

This item would appear on the Board's October 20, 2017 meeting agenda. Ken Pouliot's last day of employment would be on August 3, 2017. He will retire with thirty, (30), years and one, (1), day of service.

OLD BUSINESS

Mr. Reeb addressed a review of the RFP process and the RFP submitted for Investment Consultant. The RFP was issued on June 21, 2017. Eighteen, (18), RFP were provided to various firms. Twelve, (12), RPF were returned. The first ten, (10), days were busy. Two, (2,) firms made personal visits. All proposals were returned during the last three, (3), days. He noted the submission requirements. Vendors were asked to submit six, (6), copies of their RFP with a single copy of their fee. A couple RFP did not have sealed fees.

NEW BUSINESS

Mr. Reeb had started the Disability Medical Reviews for William Krohe and Steve Hill. He informed the Board that Mr. Hill did not reside in Illinois. Mr. Fowler informed the Board that Mr. Hill could be compelled to return to Illinois at his cost.

Motion by Carl Reeb seconded by Jeff Emmert to adjourn. Time: 5:34 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ronald E. Fowler

Ron Fowler, President

Carl R. Reeb

Carl Reeb, Secretary