MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
July 19, 2016

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

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

The Fire Pension Board met at Fire Headquarters Station located at 310 N. Lee St. Jim Stokes, Vice President, called the meeting to order at 4:00 p.m.

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

NEW BUSINESS: Presentation by Dave Wall, Wall Associates. Mr. Wall provided the Board with a handout. He thanked the Board for the opportunity to address them. He noted that his firm was an independent SEC Advisor. He referred the Board to the Firm Summary, (page 1 of his handout), no broker dealer affiliations, fee only advisor. The firm oversaw $850 million in assets. He provided a clients' list and noted that many of these funds had been clients for over twenty (20) years. The Fire Pension Fund would be served by Bill Galgan, Client Service/Business Development and himself, (see page 2). He addressed the firm's resources. The handout included a list of databases used. The firm did not pay to be in same and the firm did not pay same to be considered, (see page 4). The firm used modeling capabilities and had strategic partners. Schwab handled accounts. The firm researched institutional financial strength and services including asset protection, (see page 5). The firm only worked with public funds. Ninety percent (90%) of their clients were Illinois Police and Fire Pension Funds.

The firm's initial role would be to provide an educational process. He had reviewed the Board's draft Investment Policy. He addressed active versus passive management. He also addressed the role of bonds, (see page 7). He cited potential earnings and a meaningful return. The pace would be slow. The Board needed to own its investment strategy. If there was interest in corporate bonds then the Board needed an investment manager. The firm would assist in locating one. He provided the following comparison: the Board was the EMT – P (Emergency Medical Technician – Paramedic) and the firm was the surgeon.

ETF counted against equity holdings. The Board should be after a higher yield. The Board could reduce risk by bringing in higher risk assets. He addressed small caps utilizing a rolling return over three (3) years. He added that benchmarks mattered. He also addressed large caps and active versus passive strategies. This type of investment would be indexed, (see page 8).

He had prepared a service proposal and reviewed same, (see page 9). He addressed passive laddered corporate bonds and a summary, (see page 10). A sample Attribution Report had been included in the handout. It addressed 1.) Asset Allocation; 2.) Performance and 3.) Benchmark.

Carl Reeb questioned the fee structure. Mr. Wall noted the fee structure was the same for all clients. Seven (7) basis points for the first $25 million; five (5) basis points for the next $25 million. He estimated the firm's fee for this pension fund at $30,000 annually which would be billed on a quarterly basis.

Mr. Reeb questioned if the firm would acknowledge its fiduciary role. Mr. Wall responded affirmatively, (see page 10). He added some closing comments. He cited his twenty-five (25) years of handling public funds and added that he was a retired police officer.

Mr. Reeb questioned his tenure with the City's Police Pension Fund. Mr. Wall noted over ten (10) years. The Police Pension Fund operated under the five (5) year bid rule. His firm had prevailed. The firm had not lost an account because it understood that it was in the relationship business. Billing would be quarterly in arrears and based upon a percentage of assets. He acknowledged that there would be market fluctuations. The firm's fees were competitive, (second to none). The firm retained a compliance attorney. No claims have been filed against the firm's fiduciary insurance. He looked forward to the opportunity to work with the City's Firemen's Pension Fund.

The firm offered other services including a review of the plan's participants, 457 plans, training regarding same, etc.

MINUTES

Motion by Jim Stokes, seconded by Carl Reeb to approved the minutes of April 15, 2016 as presented.

Motion carried, (viva voce).

Don Craven, Board attorney, addressed the Board. He reminded the Board that it needed to perform a biannual review of any Executive Session Minutes. The Board needed to develop a list of its Executive Session Minutes and take action in Open Session regarding the retention or release of these minutes. Due to the fact that these minutes involve Duty Disability Hearings, they would not be subject to release.

TREASURER'S REPORT

Carl Reeb presented the Treasurer's Report. He had received an email from Insight. Monthly pension costs were as follows: April 2016 - $397,732.20; May 2016 - $397,732.20 and June 2016 - $418,957.57. In June, Ryan Gleason filed a Withdrawal from Fund in the amount of $21,083.55. The balance of the PNC account this date was $2,630,768.90. The balance in the Bloomington Municipal Employee Credit Union as of June 30, 2016 was $98,087.46. As of June 30, 2016, IL Funds balance was $258,035.70. Checks written totaled $18,000.03. The following bills had been paid: Mesirow – annual fiduciary policy $9,303; Insight - $351.65; Don Craven, Board attorney - $437.50; Curt Oyer/IPPFA Conference reimbursement - $527.88; and state Department of Insurance (DOI) - $8,000.

Motion by Paulette Hurd, seconded by Curt Oyer to accept the Treasurer's Report and place it on file for audit.

Ayes: Jim Stokes, Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

SEATING OF NEW TRUSTEES

Mr. Reeb requested that Jim Stokes present the election results as he oversaw the election process.

Mr. Stokes presented the election results: Carl Reeb – 83 votes; Gavin Pitcher – 1 write in vote; spoiled ballot – 1. Ballots provided – 106 with 21 no votes.

ELECTION OF OFFICERS

Motion by Paulette Hurd, seconded by Curt Oyer that Ron Fowler serve as President, Jim Stokes serve as Vice President and Carl Reeb serve as Secretary of the Fire Pension Fund.

Motion carried, (viva voce).

Mr. Craven added that Mr. Stokes may complete his term as an active firefighter.

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 Reports and a Variable Annuity Summery Report. An adjustment was made to the Board's equity holdings at the end of the fiscal year. These dollars were reinvested in equities and the Board's current equity holdings were at sixty-four percent (64%). He noted the receipt of property tax dollars from the City. The cash equivalent was higher, currently at thirty-six percent (36%). He noted new investment additions to the variable annuities: Pacific Life, (see Variable Annuity Summary page 3). He informed the Board that ratings have been included on the Fixed Annuity Summary. Genworth was currently rated B+. He viewed this as below investment grade. These investments were made in 2013 and 2014. They could be liquidated at a rate of return from two to two and one half percent (2 – 2 ½ %). This figure was annualized and net of surrender costs/value. He believed that an Equity Index Annuity would earn a higher return than corporate bonds. He recommended unwinding the Genworth holdings. These dollars should be put to work in another/different EIA, (Equity Index Annuity), with an A rated company. This action would be consistent with the Board's draft Investment Policy. There would be no loss of funds and the dollars would be put back to work.

Mr. Reeb questioned the possibility of Genworth making a comeback. He also questioned if these firms were rated quarterly, annually, etc. Mr. Rankens noted that the rating agencies generally revise their position after an event. Genworth was a large company. Both Moody's and Standard & Poors rated this firm below investment grade. They must be seeing erosion. Genworth held certain corporate papers. He had just been made aware of the B+ rating. At this time, there was no concern regarding principal. Mischler Financial monitored the Board's holdings.

Mr. Rankens recommended liquidation/reinvestment with Indextra at 100% participation. There was no cap for a three (3) year period. There were three (3) options: one, two or three years. The Board would look at the market at the end of the term.

Paulette Hurd questioned if the Board would receive the surrender or market value for the Genworth investments. Mr. Rankens noted the surrender value. He recommended that based upon the End of Term, the first investment be surrendered on September 9, 2016 and the other on April 15, 2017. Both investments were in a positive position net of surrender value. The Board needed to look at net return versus other options. These were fixed annuities so the principal was not at risk. They were tied to an annuitant. He restated that EIA performed better than corporate bonds. EIA also participated in the equity market. The Board has set a rate of return goal at seven percent (7%) annually.

Mr. Stokes noted the value of these two (2) holdings: $1.4 million. Mr. Rankens had provided three (3) options. Mr. Rankens noted that the dollars could be invested equally. The surrender cost would be reduced. The market was an unknown. The Board would cash out, take the return earned and go forward. He compared EIA to US (United States) corporate bonds.

Mr. Reeb expressed his concerns and made a comment. He understood that Genworth's grade had fallen. He recommended that the Board wait to take action until after the conclusion of the DOI audit.

Mr. Craven noted that DOI had expressed concern regarding the variable annuities.

Mr. Rankens restated that fixed annuities were not equities. There was a mix/match strategies. He referred the Board to American Investors Life (Aviva) #51124. This investment has doubled in value since 2009. The Board has not tried to time the market.

Mr. Stokes restated that Mischler Financial viewed Genworth's B+ rating as a red flag. Mr. Rankens restated that the Board would receive a 2.25% gain on this investment.

Ron Fowler, Board President, arrived at 5:00 p.m.

Motion by Jim Stokes, seconded by Carl Reeb to liquidate the two (2) Genworth holdings.

Ayes: Jim Stokes, Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Rankens readdressed a ten (10) year contract with Indextra. He recommended that the Board invest the dollars equally. The Board would need to re-evaluate the one, two or three year options. He believed that Indextra held an A+ rating.

Motion by Carl Reeb, seconded by Jim Stokes to invest the dollars from Genworth with Indextra by opening three (3) accounts in equal dollar amounts.

Ayes: Jim Stokes, Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Rankens noted that the Board's investments were approximately $500,000 below sixty-five percent (65%) equity holdings.

Mr. Stokes stated that the Board might consider additional action at its October 21, 2016 meeting. Mr. Rankens noted that the Board had decided to take a wait and see approach.

Mr. Reeb questioned the receipt of Utility Tax dollars from the City. Paulette Hurd believed that the City would deposit these dollars near the end of the Property Tax payments, (i.e. fall 2016).

Mr. Rankens addressed the response to the DOI audit. The variable annuities were not life insurance contracts. An annuity was different. He believed that the Board should request a hearing as there appeared to be a misunderstanding. EIA were not equities. The death benefit rider, which the Board paid for, offered tremendous earning potential.

Mr. Craven agreed with Mr. Rankens' comments. The Board should request a hearing on the investments section. The misunderstanding would be explained. He believed that this issue might just go away.

Mr. Stokes noted that EIA had been a long standing practice of the Board. There was a new director at DOI and suddenly there was an issue. Mr. Rankens affirmed and added that the Board had used EIA for over ten (10) years. He added that there were other pension funds with the same investments.

Mr. Craven reviewed DOI's history with the City of Springfield's Firemen's Pension Fund.

Mr. Reeb expressed his concern regarding the public's reaction to same. Mr. Cravens restated that the Board needed to request a hearing regarding the statutory provisions. DOI would preside at the hearing. He planned to send a letter to DOI to request a hearing on this issue.

Mr. Stokes questioned DOI's willingness to change. Mr. Rankens noted that the Delaware holdings have riders, (i.e. death benefits). The other holdings do not include same.

Mr. Stokes questioned if there was any detriment to the fund. Mr. Craven questioned if there was any risk to the fund. Mr. Rankens expressed his hope that this was a misunderstanding. He cited differences in the Internal Revenue Service (IRS) Code.

Mr. Oyer addressed new US Department of Labor (DOL) standards for brokers. Mr. Rankens cited Mischler Financial willingness to sign a fiduciary letter. He added that there were suggestions for the draft Investment Policy.

COMMUNICATIONS

Mr. Reeb addressed upcoming training. Mr. Fowler, Mr. Stokes and himself planned on attending the AFFI Conference in October 2016. This was a two (2) day conference. Mr. Reeb would handle the arrangements.

Mr. Reeb informed the Board that he would need to complete the online OMA, (Open Meetings Act), and FOIA, (Freedom of Information Act), trainings as he began a new term on the Board and also served as the Board's OMA/FOIA Officer.

WITHDRAWAL FROM THE FUND

Mr. Reeb informed the Board a check had been sent to Ryan Gleason, Firefighter/Paramedic, who had resigned from the Fire Department. His last service day was April 2, 2016. He had been with the City for three (3) years. Mr. Gleason was a Tier 2 employee. The check was dated June 24, 2016 in the amount of $15,783.17. This amount was after taxes.

Motion by Jim Stokes, seconded by Carl Reeb to approve Ryan Gleason's withdrawal from the Pension Fund on April 2, 2016 in the amount of $21,083.55.

Ayes: Jim Stokes, Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

APPLICATION FOR PENSION

Mr. Reeb had received an application for a Regular Pension from Jim Stokes, Engineer. Mr. Stokes retired with 21 years, 1 month and 6 days of service. His monthly pension would be $3,517.68. In July 2017, he would receive his first three percent (3%) increase annual increase.

Motion by Carl Reeb, seconded by Paulette Hurd to approve Jim Stokes' Application for a Regular Pension.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Abstain: Jim Stokes.

NEW BUSINESS

Mr. Reeb addressed the need to approve Disability Medical Reviews for the following individuals: Bill Krohe, Steve Hall and John Thomas. Mr. Reeb reminded the Board that Mr. Thomas had lost a leg to cancer.

Mr. Craven noted that the statute requires an annual physical. He recommended that the Board not schedule Mr. Thomas. He would address same if this issue was cited during an audit. Board consensus to not schedule Mr. Thomas for the annual Disability Medical Review.

Mr. Reeb would schedule Mr. Krohe and Mr. Hall for their annual Disability Medical Review.

Mr. Reeb informed the Board that the Municipal Compliance Report would be placed on the Board's October 21, 2016 Meeting Agenda.

Mr. Reeb introduced the updated Investment Policy.

Mr. Rankens provided that Board with a draft copy of the updated Investment Policy. He had highlighted recommended changes to same. He questioned the $5 billion figure cited in IV. Investment Guidelines, B. Primary Objectives, Item 7.

Mr. Reeb had received sample language from Lauterbach & Amen, the Board's auditor.

Mr. Rankens believed he would need to research same. He noted that a nondiscretionary broker/dealer was a fiduciary. Mr. Reeb noted that the Board has reviewed the Pension statute and could not find a reference to a broker/dealer.

Mr. Rankens noted the advantage annuities provided to the fund. They were a different animal.

Mr. Craven reviewed Mr. Rankens requested changes. He also stated an interest in reviewing the pension statute. He recommended that the item be held over until the Board's October 21, 2016 Meeting. He recommended that the Investment Policy not cite state statutes as they change over time. He recommended that the Investment Policy make reference to the IL Pension Code as amended. After a quick review, it appeared to be standard Investment Policy.

Mr. Rankens noted that the fixed annuities were each in a separate account. They were not a general asset. Creditors cannot touch them. He noted the Board's concern regarding diversification. Language could be added to the updated Investment Policy and/or the Board could provide direction. The Board was investing funds in a company. He reminded the Board that cash on hand maximum of four percent (4%) would equal $2 million. Currently, this was the Board's targeted amount for cash. (See D. Portfolio Assess Allocation Guidelines, Item 1.) He added that the Board had the authority to remove ten percent (10%) from the annuities without penalty. This addressed the issue of liquidity.

Mr. Reeb addressed the DOI Audit.

Mr. Craven addressed the Board. He noted that DOI would be informed that the Board would comply with Findings of Fact, Management. The Board had made the requested changes.

Mr. Reeb cited the double signature on all checks. The Pension checks had electronic signature. Patti Lynn Silva, City Finance Director, would be added to same. In addition, Ms. Silva would be granted on line access to the Board's PNC account. Ms. Silva was a signatory on same.

Mr. Craven noted dual signatures on checks. Mr. Reeb could complete the necessary paperwork and drop off the checks for Ms. Silva's signature.

Mr. Oyer addressed the term expiration dates. He noted that the date listed under his name was incorrect.

Mr. Craven informed the Board that a hearing would be requested to address Investments.

Mr. Craven added that the Board recognized the finding under Membership Records and would comply with same.

Mr. Reeb recommended that Paulette Hurd be approved as the Board's DOI Security Administrator.

Motion by Carl Reeb, seconded by Jim Stokes to approve Paulette Hurd as the Board's DOI online Security Administrator.

Motion carried, (viva voce).

Motion by Carl Reeb, seconded by Paulette Hurd to adjourn. Time: 5:55 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