MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
July 17, 2015

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

Member absent: Jim Stokes.

Others present: Larry Rankens, Mischler Financial Group's Senior Vice President, Todd Schroeder, Lauterbach & Amen, LLC, 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 4:00 p.m.

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

MINUTES

Paulette Hurd requested that a sentence be amended, (see page 1 of the April 17, 2015 meeting minutes, last paragraph). She requested that "deferred contributions meant" be changed to "minimum required contribution".

Motion by Carl Reeb, seconded by Paulette Hurd to approved the minutes of April 17, 2015 as corrected.

Motion carried, (viva voce).

TREASURER'S REPORT

Carl Reeb presented the Treasurer's Report. The balance of the PNC account this date was $2,232,702.29. Pension payments for April - $375,556.91, May - $379,008.10 and June - $379, 984.23. Checks written totaled $7,877.99. The following bills had been paid: Insight - $3,090.88; Don Craven, Board attorney – $2,061.00; IL State Treasurer - $8,000.00; Curt Oyer (IPPFA reimbursement) - $453.32; Carl Reeb (copies of death certificates and FedEx fees) - $57.00. The total was $13,662.20.

He noted that the Financial Statement dated April 30, 2015 showed a portfolio value of $50,594,711.12 included death benefit values. Fiscal Year (FY) 2014 showed a value of $47,335.995.58. The list value increase was $3,258.715.60. This information was subject to audit.

Curt Oyer expressed his appreciation on behalf of the Board. He noted that expenses had not exceeded contributions. He noted that there was $4.7 million in contributions and $4.4 million in expenses. He questioned if the PNC balance included the first installment of property taxes.

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

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

SEATING OF NEW OFFICERS

Ron Fowler requested a report regarding the retiree election.

Carl Reeb noted that Ron Fowler had been re-elected to the Board by the retired members. (# of retiree ballots mailed and # of ballots returned, # of votes for Ron, # of spoiled ballots).

Motion by Curt Oyer, seconded by Paulette Hurd to elect Ron Fowler, President, Jim Stokes, Vice President and Carl Reeb, Secretary of the Fire Pension Board.

Motion carried, (viva voce).

FINANCIAL INVESTMENT REPORT

Larry Rankens, Mischler Financial Group's Senior Vice President, addressed the Board. He addressed the Summary Report. The estimated Portfolio value was $51,580.316. He cited the PNC checking account balance of 42,203,734 as of June 30, 2015. He noted the subtotal of equities versus nonequities: sixty-three percent versus thirty-seven percent, (63% v 37%). He described this as equity exposure versus fixed.

He noted the passing of Mr. FIRST NAME Cook. He cited the impact upon the Board's equity position. The surrender value of the two (2) contracts on June 30, 2015 was $1.4 million. (See Variable Annuity Summary: Delaware 74 – 7400 – 013359 surrender value $534,047.30 and VOYA C171626 – OX surrender value $894,464.76.

Mr. Oyer questioned the Delaware account's surrender value. Mr. Rankins noted that this account did not perform. Delaware had offered limited investment options. This contract had been purchased in November 2008. The VOYA contract had also been purchased in 2008. He added these two (2) contracts impacted the Pension Fund. Equities had been lowered to $30,892,340.89. The Board was below the sixty-five percent (65%) threshold. The Board could decide to reinvest $1,995,371.11.

Mr. Rankins addressed the State Treasurer's Office's treatment of the sixty-five percent (65%) equity threshold. Mr. Oyer expressed his opinion that the Board did not have to sell investments based upon performance. He requested that the Board seek an official interpretation from the State Department of Insurance, (DOI), regarding same. He believed that if equities were too far out of line then the state would look at the Board's investments. He added his opinion that the Board could not go over the sixty-five percent (65%) with a new investment.

Mr. Rankins noted that the Board's portfolio would increase. The Board could invest an additional $1.2 million or an estimated $3.2 million to be aggressive regarding the sixty-five percent (65%) threshold. The Board may need to look at its holdings in April 2016. The Board could amend it Investment Policy and state that it adopted the state's mandated investment limits. Any adjustment to the Board's Investment Policy should be included in its minutes. The Board's past and current practice was to make yearend adjustments.

Mr. Oyer questioned where the state measured the sixty-five percent (65%), last year's DOI report or at the FY end. He restated his request that the Board contact DOI and question if this percentage was based upon the Board's last filed report with same. He added that if DOI used the Board's last FY audit, then the Board would be in compliance.

Mr. Rankins cited feedback from last year's auditors which stated it was the previous year's DOI report. The state was looking for patterns. He cited Management Letter comments which can impact performance. He suggested that the Board consider a statement/policy change at its October 16, 2015 meeting.

Mr. Fowler believed that Don Craven, Board attorney, needed to review the Board's Investment Policy prior to any action being taken regarding same. He added that any proposed amendment would also require Mr. Craven's review.

Mr. Rankins recommended that the Board consider an annual Investment Policy review, (scheduled for the Board's July meeting). He restated that this issue could be addressed at the Board's October 16, 2015 meeting.

Mr. Rankins reminded that Board that any action regarding investments required a motion. He addressed the Board's Equity Annuities. He noted that the Board had holdings with Jackson National Life in the total of $18.7 million. There Board needed more diversification. He cited American General. An analysis had been completed of the previous ten (10) years. Principal was guaranteed. The investments would be racket sequenced with an anniversary date reset. American General offered better performance. He recommended the purchase of four (4) contracts with annuitants who were at least seventy (70) years old. There were other variable annuities which offered enhanced earnings with a five percent (5%) guarantee. American General offered a good product and risk diversification. If the Board chose to invest $3.2 million, then the Board would purchase five or six, (5 – 6) contracts with annuitants who were at least seventy (70) years old. He noted that he had American General's prospectus available for Board review.

Mr. Reeb questioned the Board's ability to make future investments at a future date.

Mr. Rankins would inquire about the upper dollar limits. He added that the Board need to select a variety of annuitants. He restated that American General offered a good program with principal protection.

Motion by Curt Oyer, seconded by Carl Reeb to purchase five to six (5 – 6) variable annuity contracts with American General with a total investment of $3.2 million.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Reeb requested a copy of the Prospectus as the Pension Board was required to have same on file. Mr. Rankins offered to provide the document to Mr. Reeb and Ms. Hurd.

He noted that five of the Delaware contracts, (account numbers that start with 10 – were reduced to $250,000, see the Variable Annuity Summary).

Mr. Rankins left the meeting at 4:50 p.m.

COMMUNICATIONS

Mr. Reeb informed the Board that Jim Stokes, Mr. Fowler and he would attend the AFFI Conference in Springfield, IL in September 2015 to meet their continuing education requirements. He had taken care of the arrangements for same.

Mr. Oyer addressed an Advisory Bulleting regarding mayoral appointments to the Pension Board. The DOI had recommended that these be three (3) year terms. He noted the difference between state statute and the advisory bulletin. He requested that Mr. Fowler and Mr. Reeb research same.

Mr. Reeb addressed the process of reviewing/updating active member records. This was his planned activity for the month, he cited marital status as an example. DOI had stated that the Board's records were in good shape.

APPLICATION FOR PENSION

Mr. Reeb noted that a key issue was paperwork. He cited the comprehensive physical. He had reached out to the City's Human Resources (HR) Department. These reports came from OSF/St. Joseph. He believed that the records usually came with the invoice. He cited his attempts to reach out to HR, (i.e. telephone and personal visits).

Mr. Oyer questioned the Board's responsibility/role regarding the comprehensive physical.

Mr. Fowler cited there could be medical conditions which need to be monitored. Mr. Craven, Board's attorney, has stated that these records must be reviewed. The Board's review was part of its fiduciary responsibility. He expressed his opinion that applications for pension should not be approved without these records. Two (2) Board were assigned the responsibility of reviewing

these records and reporting any findings to the full Board. All City hired Firefighters were working but may not be part of the pension fund.
Mr. Oyer questioned if there was a time limit.

Motion by Curt Oyer, seconded by Carl Reeb to accept the following individuals into the Pension Fund contingent upon receipt, review and approval of the comprehensive physical records by Ron Fowler and Carl Reeb: 1.) Chad Carlson; 2.) Travis Wilson; 3.) Joshua Andracki; and 4.) James Wellwood.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

It was noted that after receipt the records and review by Mr. Fowler and Mr. Reeb and email would be sent to the full Board to update them regarding same.

Mr. Reeb would follow up with City's HR Department staff, (Angie Brown and Selena LAST NAME).

APPPLICATION FOR RETIREMENT

Mr. Reeb informed the Board that Roger Troxel had retired effective May 14, 2015. He noted the following:

Rank: Engineer
Service: 28 years, 3 months and 17 days
Final rate of pay: $XX,XXX.00
Pension: $56,727.84
Pension Percentage: XX%
Increase Rate: 3% effective May 14, 2016

Motion by Carl Reeb, seconded by Curt Oyer to approve Roger Troxel's retirement pension.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Reeb informed the Board that Allen Hightower had retired on June 16, 2015 with an effective date June 20, 2015. He noted the following:

Rank: Engineer
Service: 24 years, 2 months, 1 days (verify)
Pension: $48,385.56
Pension Percentage: XX%
Increase Rate: 3% effective June 20, 2020 as the retiree must be 55 years of age to collect this benefit.

Motion by Carl Reeb, seconded by Curt Oyer to approve Allen Hightower's retirement pension.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Reeb addressed the Disease Disability Pension for John Thomas. He noted that the dollar figures had been provided by Insight. There would be a nontaxable benefit for three (3) minor children through 2046. The children's benefit was $20 per child per month. There would be a three percent (3%) increase in this benefit until the child reached eighteen (18) years of age. This benefit would stop at that time. Mr. Thomas's monthly pension would be $4,207.75 ($50,493 annually). This pension commenced in December 2015. The first annual increase would occur in 2030 (i.e. the month following his 60th birthday). The annual increase would be $124.43.

Motion by Carl Reeb, seconded by Curt Oyer to approve John Thomas' disease disability pension.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Ms. Hurd informed the Board that Lauterbach & Amen was working on the Actuarial Report.

Mr. Reeb addressed the Department of Insurance report that was due by November 30, 2015. DOI required a copy of the Pension Fund's audit.

Mr. Reeb also reported on the DOI Audit. DOI staff have completed their work. They have everything needed. He was waiting on their report. He had no information regarding any findings at this time.

Mr. Reed addressed the annual Disability Medical Review needed for Bill Crohe (? Sp).

Motion by Carl Reeb, seconded by Curt Oyer to schedule Mr. Crohe for his annual Disability Medical Review.

Motion carried, (viva voce).

Mr. Fowler would contact Don Craven, Board's attorney, regarding an annual Disability Medical Review for Mr. Thomas.

Ms. Hurd added that Todd Schroeder, Lauterbach & Amen had been assigned the actuarial work. He had requested copies of the Board's last two (2) actuarial reports. She addressed cost sharing with the City going forward. The cost for the next three (3) years would be $3,575. All required reports would be completed. Mr. Schroeder would present the report to the Board.

Mr. Reeb addressed the City's Pension Funding Policy. He noted that the City had decided to work with Lauterbach & Amen. He questioned if the Pension Board would not be working with Tepfer this year. He noted that these firms used different assumptions.

Motion by Paulette Hurd, seconded by Curt Oyer to engaged Lauterbach & Amen for actuarial services for a term of three (3) years with an equal cost sharing with the City.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Reeb was directed to send a letter to Tepfer Consulting Group, (TCG) informing them of the Board's decisions. TCG would no longer serve as the Board's actuary.

Mr. Reeb informed the Board that he had met with An Van Vooren, Lauterbach & Amen, on June 10, 2015 regarding the annual audit. Ms. Van Vooren has also visited with Insight. Work on the annual audit was in progress.

Ms. Hurd noted that pieces of the audit would be completed first which impacted the actuarial report.

Mr. Reeb noted that last year was the Board's first year with Lauterbach & Amen. The Board was addressing affidavits to retirements and verification of pension payments.

Ms. Hurd added that the City had provided payroll information.

Mr. Oyer noted that an affidavit from retirees was a legal requirement.

Mr. Fowler noted that an affidavit was not a legal requirement but verification was a good business practice.

Mr. Reeb noted that the Annual Audit would be presented at the Board October 23, 2015 meeting.

Mr. Oyer addressed Mr. Rankins. He questioned if Mr. Rankins was the Board's investment advisor. There was a statutory requirement for investment advisors. He read from state statute and questioned the Board's contract terms with Mr. Rankins. He noted that this might not be a legal requirement but addressed openness, transparency and disclosure. An investment advisor acted as a fiduciary. He questioned earnings on investments. He noted that the Board did not directly pay Mr. Rankins fees. He added that Mr. Rankins' earnings would vary from year to year. The Board had a fiduciary responsibility to look into this matter.

Ms. Hurd also expressed her concerns. She believed that the DOI audit would address the fact that there was not a written agreement between the Board and Mr. Rankins. She believed that Mr. Rankins functioned as a broker/dealer.

Mr. Oyer considered Mr. Rankins to be the Board's investment advisor.

Mr. Fowler planned to reach out to Mr. Craven, Board attorney, in order to have something in writing for the Board's October 23, 2015 meeting.

Mr. Oyer restated his concerns: the amount of annual earnings and no fee disclosure.

Mr. Reeb noted the training that he had attended. Banks had reached out to the Board. All of the Board's investments have met DOI's approval. He acknowledged that commissions were paid.

Mr. Oyer cited potential risk. He again questioned what had been paid. This information should be presented in a multi-year report.

Ms. Hurd added that this would be a good time to review the Board's Investment Policy.

Mr. Reed questioned new applicants to the Pension Fund. He also questioned if the Board had the authority to deny an application. Mr. Fowler would add this to the list of items for Mr. Craven.

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

Motion carried, (viva voce).

Respectfully submitted:

Tracey Covert
City Clerk

Signed by:

Ronald E. Fowler

Ron Fowler, President

Carl R. Reeb

Carl Reeb, Secretary