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

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

Others present: Jeff Emmert, newly elected active Firefighter, 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 3:00 p.m.

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

Mr. Fowler introduced Cpt. Emmert. He has been employed with the City's Fire Department for twenty-three, (23), years. He would begin service on the Pension Board at the July 21, 2017 meeting.

MINUTES

Motion by Carl Reeb, seconded by Jim Stokes to approve the minutes of January 20, 2017 as presented.

Motion carried, (viva voce).

TREASURER'S REPORT

Carl Reeb presented the Treasurer's Report. The account balances on March 31, 2017were as follows:

Bloomington Municipal Employee Credit Union:	$98,234.83
IL Funds:	$258,986.88
PNC:	$1,220,699.45
Mischler Financial:	*$70,859.00 no information provided*

He noted the PNC balance on April 21, 2017 was $1,282,233.75.

The monthly pension costs were as follows:

January 2017	$407,826.90
February 2017	$407,826.90
March 2017	$407,826.90

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

Don Craven (Board attorney)	$5,750.00 legal fees
Insight (Board accounting firm)	$2,360.44
Mesirow	$9,330.00 fiduciary insurance
VanGundy	$397.00
TOTAL:	$17,837.44

Mr. Reeb added that there had been a two to three percent, (2 – 3%), increase to the Mesirow coverage. This increase was linked to the Pension Board's assets. There had not been any claims. There was automatic re-enrollment. VanGundy provided insurance for the Pension Board's assets.

Motion by Paulette Hurd, seconded by Jim Stokes to accept the Treasurer's Report.

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

Nays: None.

Motion carried.

Mr. Reeb addressed the third quarter report from Insight. He read from the cover letter. The Fund had increased in value during the fiscal year, (i.e. $6 million). Benefit payments had increased, refunds to former members were also cited, and expenses had increased, (i.e. $1,200), during the past year.

WITHDRAWAL FROM THE FUND

Mr. Reeb had received requests to withdraw from the Pension Fund. There were as follows:

Chad Carlson was employed by the City from July 6, 2015 until September 30, 2016. He requested a lump sum payment and will be responsible for tax payments. The withdrawal amount was $6,228.24.

Travis Wilson was employed by the City from DATE until March 7, 2017. He has requested that Insight roll his payment over until another retirement vehicle. The withdrawal amount was $8,622.10.

Motion by Jim Stokes, seconded by Paulette Hurd to accept the Withdrawals from the Fund from Chad Carlson in the amount of $6,228.24 and Travis Wilson in the amount of $8,622.10.

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

Nays: None.

Motion carried.

He added that he anticipated receiving additional Withdrawal Applications.

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. Equities equaled 68.68%. The market was strong and the fund has increased. The Pension Fund value was $55 million with a death benefit value of $9.4 million.

Equities were over sixty-five percent, (65%). There needed to be an adjustment. He had recommended that $6 million be liquidated. This was accomplished by withdrawing funds from the Jackson National Life holdings. He believed this action would address the Illinois Department of Insurance's concerns. No surrender costs were incurred. No contracts were cancelled. The Board withdrew ten percent, (10%), plus any earnings from the various contracts. The Board's equity exposure was at sixty percent, (60%). He believed there was room for growth. The Board currently had $1.75 million available for re-investment.

He restated that action was taken to insure the Board's equity holdings were under the sixty-five percent, (65%). Mischler goal was to diversify the Board's holdings with no surrender cost. He believed this was the best action. He directed the Board to the Delaware contract, (48 – 4800 – 002640). This contract has principal protection. The Board could not lose principal. This contract was purchased in January 2003. There were be no new variable annuities with death benefit riders. He added that these contracts were still a valuable product.

Mr. Reeb expressed his interest in the rate of return. Mr. Rankens offered to provide this information for each contract. Adjustments have been made. The Board had flexibility due to its cash holdings. The market was up and adjustments were needed.

Motion by Jim Stokes, seconded by Curt Oyer to accept the Financial Report.

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

Nays: None.

Motion carried.

COMMUNICATIONS

Mr. Reeb noted that Mr. Oyer planned to attend the IPPFA Conference in May 2017. He added that the dates of the AFFI fall 2017 conference were available. He would make reservations for the three (3) firefighters on the Board, (two active and retiree).

Mr. Reeb noted the online FOIA, (Freedom of Information Act), training that he planned to complete.

He also reminded the Board that Statement of Economic Interest, (SEI), forms were due to the McLean County Clerk by May 1, 2017.

The City's fiscal year ended on April 30, 2017.

In April 2017, work would begin on the DOI report. In June 2017, work would begin on the actuarial report.

Mr. Emmert needed to complete the required initial thirty-six, (36), hours of training during his first year of service on the Board. He also needed to complete the online OMA (Open Meetings Act) training during his first ninety, (90), on the Board. Mr. Emmert's term commenced May 1, 2017.

APPLICATION TO FUND FOR DUTY DISABILITY

An application for a Duty Disability Pension had been filed by Matt Augsburger. Don Craven, Board attorney, was working with the City's Corporation Counsel Office.

Mr. Reeb informed the Board that the City may become involved and intervene in the Duty Disability Hearing.

Mr. Fowler noted that the major issue was health insurance. To approve a request for a Duty Disability Pension, the incident/injury must be related to active duty and not occur during training.

Mr. Reeb added that Mr. Craven was contacting the physicians on the Board's behalf. There would be more information in the future.

OLD BUSINESS

Mr. Reeb presented the election results. Votes were cast from Monday, April 17 through Wednesday April 19, 2017. 108 ballots were printed. Seventy-eight (78) ballots were cast. None of the ballots were spoiled. Steve Zimmerman was the only name listed on the ballot. Election results: Steve Zimmerman: thirty-two (32) votes and Jeff Emmert forty-six (46) votes. Mr. Emmert was a write-in candidate.

Motion by Carl Reeb, seconded by Jim Stokes to accept the election results.

Motion carried, (viva voce).

Mr. Emmert's term would commence on May 1, 2017.

Mr. Stokes addressed the Board. He had served on the Board for six, (6), years and enjoyed his tenure. He hoped to return to the Board in the future as a retiree.

Mr. Reeb offered to reach out to Mr. Craven regarding the IL Financial Entities Certificate. He was unsure what this document was. He would report back to the Board regarding same.

NEW BUSINESS

Mr. Fowler noted that Mr. Rankens had been briefed regarding the Board action taken at the April 17, 2017 Special Meeting. The Board would continue to approve investments and maintain control. He recognized Mr. Oyer's expertise. The Board had until December 31, 2017 to draft and RFP, (Request for Proposal), for Investment Services, issue same, interview the submittals, etc. Mischler Financial would remain on board throughout this process.

Mr. Reeb noted that the Board needed to schedule additional meetings. He recommended the third Fridays in May 19 and June 16, 2017 at 4:00 p.m.

Mr. Stokes noted the IL Department of Insurance, (DOI), Consent Order. The Board must issue and RFP and retain an Investment Advisor.

Mr. Oyer questioned the goal of the May meeting. He recommended that the Board develop a time table and review sample RFPs.

Mr. Reeb added that the Board would need to develop of list of firms, (i.e. potential vendors), with their mailing addresses. He hoped the Board could develop a draft RFP after reviewing the examples. He believed that Mischler Financial could provide needed information. He added his hope that Mischler Financial would provide feedback/input. The GFOA, (Government Finance Officers Association), had sample RFPs.

Mr. Oyer supported the Board requesting input from Mr. Rankens.

Mr. Rankens informed the Board that Mischler would not have any issues working with an Investment Advisor. The Board should explore the options. In the end, the Board needed to make the decisions. He recommended that the Board retain control, i.e. retain discretionary authority. He welcomed a debate/discussion regarding the options. The Board needed to examine performance. He cited past Board action.

Mr. Rankens informed the Board that he did not agree with the DOI opinion. He expressed his appreciation to the Board for requesting that Mischler stay involved. There needed to be asset allocation strategies for all funds: equities, cash and fixed income securities. Mischler was willing to provide input.

Mr. Oyer did not believe that Mr. Rankens needed to attend the May 19, 2017 meeting. The goal of that meeting was a draft RFP. Mr. Rankens stressed that the Board needed to include language in the RFP that the Board would retain control.

Mr. Oyer expressed his opinion that during the interim the Board should not approve any new investments. He preferred that the Board build its liquidity.

Mr. Rankens noted that the process could take six to eight, (6 - 8), months. There were short term fixed annuities, (i.e. three years). The Board needed to earn something. The Board can withdraw ten percent, (10%), annually without penalty.

Mr. Oyer believed that the direction was to an increasing interest rate environment.

Mr. Rankens encouraged the Board to look at agency or set-up bonds. These types of bonds were callable. He acknowledged the bond funds still had risk.

Mr. Reeb left the meeting at 3:57 p.m.

Mr. Rankens believed that if the money was left as cash there would be limited return. He encouraged the Board to put these dollars to work and earn something. Mr. Oyer suggested that the Board could consider CD, (Certificates of Deposit).

Mr. Rankens cited the FDIC's, (Federal Deposit Insurance Company), $200,000 limit. Agency bonds had liquidity. There would be no loss of principal. There could be a rate penalty for early withdrawal. A fixed annuity also offered liquidity, (i.e. annual ten percent withdrawal allowed without penalty). He questioned the Board's comfort level. The Board needed to address two, (2), key questions: 1.) how long will the process take and 2.) how long will the cash sit.

Mr. Oyer questioned risk in the equity market. Mr. Rankens reminded that Board that it took action to liquidate $6 million in variable annuities with no principal loss. The Board withdrew ten percent, (10%), and earnings. Mr. Oyer cited the past practice of investing up to the sixty-five percent, (65%), limit allowed by law. The Board had the ability to invest up to $9 million in equities.

Mr. Rankens presented the Board with a document entitled Potential SEP Account New Investments 04/30/17. He recommended that the Board invest $2 million in variable annuities. That would leave $4 million in cash. He restated that the Board should only invest up to $2 million in variable annuities. He referred the Board to the Fixed Annuity Summary report. There were four, (4), contracts that would expire by August 2018 with an estimated value of $4 million. These investments were American Investors Life (Aviva) #551692, 569751, 579488 and Nationwide #7121511. Variable annuities protect principal. Mr. Rankens did not recommend the Board terminate any of its existing contracts. There had been a concern that Jackson National Life, (JNL), was planning on terminating their program. The Board could not invest additional dollars in the existing contracts as it might be seen as a violation of the Department of Insurance's Consent Order. Pacific Life, (Pac Life), offered variable annuities without riders. He recommended that the Board consider investing with Pacific Life.

Mr. Stokes expressed his willingness to invest a portion of the $6 million and putting these dollars to work for the Pension Fund.

Mr. Rankens restated that the Board could remove the earnings without penalty. Withdrawing dollars from a variable annuity could impact the death benefit value.

Mr. Oyer noted annuities without the rider. The Board must look at the market value.

Mr. Rankens informed the Board that these annuities were originally designed for individuals. The death benefit value addressed tax implications. He looked forward to future discussions. He restated there was no chance for principal loss. Each is held in separate accounts, (i.e. no loss of principal). The Board has a practice of sacrificing return to protect principal. The Pension Fund had a value of $65 million, (included death benefit values), and had never lost principal. The Board has stayed within the sixty-five percent, (65%), equity limit. There was $6 million in liquid cash and he recommended that the Board invest $2 million in variable annuities.

Mr. Oyer and Ms. Hurd recommended that the Board hold the cash and not take any action at this time.

Mr. Stokes recommended that the Board revisit this issue in the next thirty, (30), days. He questioned if this issue could be added to the May 19, 2017 additional meeting.

Mr. Craven had informed the Board of a medical release form for Matt Augsburger. He offered to provide same to Mr. Reeb. It was noted that there was a previous injury, (four to six/ 4 – 6 weeks earlier). The Board needed to secure three (3) physicians. Mr. Fowler informed the Board that he would follow up with Mr. Reeb regarding this form.

Motion by Jim Stokes seconded by Paulette Hurd to adjourn. Time: 4:18 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