MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
APRIL 26, 2013

Attendees: Ron Fowler, Jim Stokes, Sean Morrison, Curt Oyer, Fire Pension Board members.

Others present: Larry Rankens, Senior Vice President, Mischler Financial Group and Tracey Covert, City Clerk.

Absent: Tim Ervin, Board member.

Jim Stokes, Vice President, called the meeting to order at 4:10 p.m.

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

MINUTES

Sean Morrison noted that the Board vote under Applications to the Fund was missing. The vote was 5 to 0.

Motion by Sean Morrison, seconded by Curt Oyer to approve the January 18, 2013 Minutes as corrected.

Motion carried, (viva voce).

TREASURER'S REPORT

Sean Morrison presented total expenditures for October 2012 - $3,707,694.42 and January 2013 - $3,909,927.

He also addressed Pension Payments: January 2013 - $332,704.72; February 2013 - $325,286.77 and March 2013 - $336,476.20. He also addressed supplemental payments in April 2013. Payments were made to Angie Brown – AMOUNT; and D. Prouty – AMOUNT.

Mr. Morrison presented information and monthly totals for January and February 2013. He informed the Board that March 2013 included an independent medical examination for Bill Crowe. He also addressed April 2013.

Ron Fowler arrived at 4:20 p.m.

Motion by Curt Oyer, seconded by Jim Stokes to accept the Treasurer's Report for MONTHS.

Motion carried, (viva voce).

FINANCIAL REPORTS

Larry Rankens, Mischler Financial Group's Senior Vice President, addressed the Board. He presented the Board with a Summary Report. He noted that Equities equaled 65.53%. He added that the S & P was up by 1.4%. The Fiscal Year (FY) would end with equities a little over the sixty-five percent (65%) statutory limit. He estimated that equities would equal 65.75% at FY year end.

He reminded the Board that its SEP (Variable Annuity) Accounts could be liquidated up to ten percent (10%) with no surrender fees. A decision to liquidate must be made by the Board. The market was volatile with an upward trend.

Mr. Rankens directed the Board to the Variable Annuity Summary. He noted the Board's Nationwide holdings. Ten percent (10%) of these holdings represented $300,000.

Kurt Oyer noted that the equity holdings were over the statutory limit due to appreciation.

Board consensus reached to not make any investment changes at this time.

Mr. Rankens addressed what action the Board could take if the state's Department of Insurance (DOI) instructed the Board to reduce its equity holdings. The Board has ten percent (10%) per year to work with no surrender charge. He readdressed market volatility. The next DOI Review would occur in summer/fall 2013. He noted the low interest rates for fixed income securities. Equities can be used to make returns.

The FY end was April 30, 2013. The Board's holdings would be reviewed at the July 19, 2013.

Mr. Rankens addressed the Fixed Annuity Summary.

Board direction regarding an additional $2 million from PNC Bank. *Mr. Rankens addressed the equity index annuity, seventy-five percent (75%), cap 490 and accrue 225.* The seven (7) year Treasury was 1.12%. He noted the top insurance rate was Symetra. Ten percent (10%) could be liquidated by April 1, 2013. The Board held $1.3 - $1.4 million in cash with little to no return. He cited cash flow. Fixed annuities had been laddered. Symetra would mature in 2017. He also addressed the Sun Life holdings. Two (2) of them would mature in 2014 with a total holding over $1.8 million. The Board may be able to obtain a better rate of return with a seven to ten (7 – 10) year equity indexed annuity.

He addressed the fixed income securities. An equity index annuity investment would yield the best result. He noted one percent (1%) minimum return. The Board needed to extend equity growth in order to reach its actuarial goal of 7.5%. He cited the Board's pension obligations.

Mr. Oyer noted the City's $4.1 million in contributions and the Board's $3.9 million in annual pension obligations. He questioned when the Board would be at the low point. Property tax receipts were in June and September.

Mr. Rankens noted that the Board had the option to put some cash to work. The Board needed to determine its comfort level.

Mr. Morrison noted the monthly pension cost: $336,000.

Mr. Fowler noted the Board's access to ten percent (10%) of its annuity holdings.

Mr. Rankens stated that the Board had the flexibility if needed. The Board could decide to hold and take a wait and see approach.

Mr. Stokes noted that the first installment of property taxes would be received in June 2013. He suggested that the Board not take any action until the Board's July 19, 2013 meeting. The Board's investments were doing well.

Mr. Morrison noted the annual benefit increase.

Mr. Rankens noted the Board's decision to hold its variable and fixed annuity holdings until after the first installment of property taxes and the Board's cash levels were known. Authorization would be revised as needed. He noted the death benefit value – ($36,374,877 which was $8,136,771 greater than the surrender value).

COMMUNICATIONS

Mr. Morrison noted that Mr. Oyer would be attending the IPPFA's Spring Conference.

He added that the on line Open Meeting Act (OMA) training must be completed once per term.

Tracey Covert, City Clerk, informed the Board that the City Clerk's Office staff acted as the City's OMA and Freedom of Information Act officers.

Mr. Morrison stated the Statement of Economic Interest forms must be returned to the County Clerk by May 1, 2013. The DOI and Annual Audit would be addressed in May 2013. The Actuarial Report would be completed by June 2013.

Mr. Morrison noted that the City had hired Milliman to perform an actuarial analysis. He had attended a meeting. Art Tepfer, Tepfer Consulting Group, Ltd., had received all of the information requested.

Mr. Oyer questioned if the Board could use DOI's information.

Mr. Morrison noted the City's history. The pension contribution was generally somewhere between Tepfer & Associates' recommendation and the DOI. He had received information from the City regarding its decision to change actuary. The City had been informed that the Fire Pension Board had remained with Tepfer and Associates.

Ms. Covert informed the Board that the Council hoped to adopt a Pension Funding Policy by fall 2013.

Mr. Rankens believed that the Board would be best served by higher numbers.

Mr. Oyer noted that the Council adopted the Property Tax Levy. He expressed his interest in a legitimate actuarial study.

Ms. Covert noted that the City could accept the numbers provided by DOI or retain a separate actuarial firm.

APPLICATION FOR PENSION

None at this time.

WITHDRAWAL FROM FUND

None at this time.

APPLICATION FOR RETIREMENT

Mr. Morrison informed the Board of the application regarding Chris Brown, deceased, by Angie Brown. This application was a nonduty one. Chris Brown had served for twelve (12) years, one (1) day, as of March 6, 2013. The pension would be seventy-five percent (75%) for Ms. Brown, initially dependent son, Max would receive twelve percent (12%) and dependent son, Mason would receive nine percent (9%). Current monthly pension would be $4,212.27. In February 2019, the pension would be reduced to sixty-six percent (66%). In September 2023, the pension would be reduced to fifty-four percent (54%) or $3,032.83. Ms. Brown would receive this pension for the rest of her life with no COLA (Cost of Living Adjustment).

Motion by Sean Morrison, seconded by Jim Stokes to accept the application by Angie Brown for benefits for herself and two (2) children, (Max and Mason).

Motion carried, (viva voce).

Mr. Morrison presented D. (FIRST NAME) Prouty, Engineer. Mr. Prouty had twenty-seven (27) years, nine (9) days of service as of March 19, 2013. His monthly pension would be $4,119.88.

Motion by Sean Morrison, seconded by Jim Stokes to accept the application by D. (FIRST NAME) Prouty.

Motion carried.

OLD BUSINESS

Ron Fowler noted that Mr. Morrison's term would end on April 30, 2013. An election had been held.

Mr. Stokes noted that Carl Reeb had been elected to the Board for a three (3) year term.

Motion by Jim Stokes, seconded by Sean Morrison to accept the election results.

Motion carried, (viva voce).

Mr. Reeb's three (3) year term would commence on May 1, 2013.

Mr. Morrison informed the Board that the 1099 had been mailed. The Pension Fund would remain with Sikitch, outside auditor, for an additional year.

Action on the Board's Investment Policy had been postponed.

Motion by Sean Morrison, seconded by Jim Stokes to retain Tracey Covert, City Clerk, as meeting recorder at a rate of $25 per hour.

Ayes: Ron Fowler, Jim Stokes, Sean Morrison and Kurt Oyer.

Nays: None.

Motion carried.

NEW BUSINESS

Mr. Fowler noted an issue regarding back pension obligation, estimated at $15,000 - $20,000. He had reviewed state statute. This issue involved the three percent (3%) compounding after retirement effective January 1, 1986. He noted that there were two (2) individuals: one with a disability pension since 1972 and the other retired in 1982. They receive a three percent (3%) increase which is not compounded. These two (2) individuals fell under this statute based upon the time frame.

Mr. Morrison cited a new statute passed in July 2009. It called for COLA for all at that date. The cost was estimated at $4,000.

Mr. Stokes questioned the Pension Code citations.

Board discussion regarding the pension payout for Angie Brown. The breakdown was believed to be spouse – fifty-four percent (54%); and sons, Max and Mason – ten and a half percent, (10½%). This totaled seventy-five percent (75%). Dependents receive pension dollars until age eighteen (18). Ms. Brown was the children's trustee. Issues such as accountability and taxes were addressed.

Mr. Morrison noted that by statute the payment is to be made to the surviving spouse. He had followed DOI'S instructions.

Mr. Stokes questioned the impact of a worker's compensation claim.

Mr. Fowler stated that pension benefits would be offset by any worker's compensation settlement. Ms. Brown may receive one.

Motion by Sean Morrison, seconded by Stokes to adjourn. Time: 5:40 p.m.

Motion carried, (viva voice).

Respectfully submitted:

Tracey Covert
City Clerk