MINUTES OF THE SPECIAL MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
April 17, 2017

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

Others present: Don Craven, Board Attorney and Tracey Covert, Recording Secretary.

The Fire Pension Board met at the Fire Headquarters located at 301 N. Lee St. Ron Fowler, President, called the meeting to order at 12:00 p.m.

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

NEW BUSINESS

Don Craven, Board Attorney, addressed the Board. He had been working with the IL Department of Insurance, (DOI). He had been working with a DOI staff attorney who had worked out of DOI's Springfield. This individual had retired and his replacement works out of DOI's Chicago office.

It was DOI's opinion that the Death Benefit Riders, (DBR), were life insurance policies and they would no longer be allowed. Their opinion included a statement that state law prohibits same. Mr. Cravens had defended the annuity contracts as they served as investment holdings. In the future, DBR were prohibited.

He directed the Board to DOI's Stipulation and Consent Order, II.a., (see page 2), and II.c., (see page 3). He clarified these two (2) points. He directed the Board to page 3, items B and D. Item B addressed the prohibition on the purchase of DBR on annuity products. Item D instructed the Board to issue an RFP, (Request for Proposal), for Investment Services to be completed in calendar year 2017. The Board's existing agreement with Mischler Financial shall be terminated. Mischler Financial does not meet the statutory definition of an Investment Advisor, (IA). Mr. Craven added that technically the Board was not required to retain an IA. However, DOI was recommending that the Board move in this direction.

The Board could retain an IA and continue to work with Mischler Financial. He directed the Board to a number of documents. Mr. Cravens provided the Board with copies of 40 ILCS 5/1-101.4 Investment advisor and 40 ILCS 5/1-113.5 Investment advisers and investment services for all Article 3 or 4 Pension funds. In addition, Mr. Craven provided the Board with two (2) emails: 1.) dated April 12, 2017 from Fred Moore, DOI staff, and 2.) dated April 17, 2017 from Mr. Craven to Larry Rankens, Mischler Financial. He added that the Board could not terminate the agreement with Mischler Financial until the Board retains another firm. The Board has until December 31, 2017.

Mr. Craven had prepared a document to send to DOI as the Board must respond to DOI in writing. The Board acknowledged in this document that it would only take action that is allowed under the Pension Code.

Mr. Craven addressed item F which required the Board to adopt an updated Investment Policy, (IP), within ninety, (90), days. He was aware that the Board had drafted same. Mr. Cravens noted that there were different investment staff positions in state statute. An Investment Manager acted as an overseer. He added that state statute used the term IA and Investment Consultant interchangeably.

Curt Oyer stated that an Investment Consultant made recommendations; an IA services were dependent upon the agreement with the Board and may act as an Investment Consultant and/or an Investment Manager; and an Investment Manager had the discretion to make decisions regarding buying/selling investments.

Carl Reeb cited past DOI's audits. This issue had never been mentioned. He questioned the timing. Mr. Craven stated that DOI was looking at other Pension Funds. This was within DOI's authority.

Mr. Oyer questioned if there were other Boards with similar investment holdings. He questioned if the Board should inform the IPPFA as the Board's action could impact other Pension Boards.

Mr. Craven restated the DOI's opinion: DBR were not an allowable investment under the Pension Code statute. He also addressed possible next steps: DOI hearing and Circuit Court appeal.

Mr. Oyer expressed his opinion that the Board should not go forward alone.

Jim Stokes questioned the status of the updated IP.

Paulette Hurd informed the Board that the draft new IP needed to be reviewed. She wanted to ensure that the updated one was in line with DOI's Stipulation and Consent Order.

Mr. Craven directed the Board to item E, (see page 3). DOI stressed this item. Any investment services contract must include a detailed breakdown of any and all fees associated with the investment services, (i.e. how being paid, all fees disclosed).

Mr. Stokes noted that Mischler Financial's response had been that the fees were paid by the vendor. Mr. Craven noted DOI's question: was Mischler Financial an agent for the insurance company or an agent for the Board.

Mr. Reeb addressed the issue of transparency. Mr. Craven added there was an impact of fees on yield. DOI was also interested in transparency.

Mr. Stokes added that the Board had requested fee information in the past and it had not been provided. Mr. Craven cited Mischler Financial's standard response: there was no cost to the Pension Board.

Mr. Reeb restated that DOI had jurisdiction. The Board must comply with the Stipulation and Consent Order. Mr. Craven noted the Board only had to eliminate the DBR.

Mr. Oyer noted that the Board was scheduled to meet in Regular Session on Friday, April 21, 2017. He question when Mr. Rankens would be informed. He also questioned the impact of the Stipulation and Consent Order on the Board's investment strategy, (i.e. no more DBR). Mr. Craven stated that the Board had a decision to make going forward.

Mr. Craven restated that the Board had until the year end. He would review that Board's draft IP. He encouraged the Board to reach out to the IPPFA and AFFI for a list of IA and Investment Consultant firms.

Mr. Reeb expressed his belief that the Board would need to scheduled additional meeting dates. Mr. Cravens added that in order to continue working with Mischler Financial a new contract was required.

Mr. Reeb questioned Board concerns. Mr. Craven offered to send Mr. Rankens an email with the Stipulation and Consent Order attached. In addition, if the Board was comfortable with the Stipulation and Consent Order, he recommended that the Board approve same. Mr. Craven would inform Mr. Rankens that DBR would no longer be allowed. Mischler Financial would stay in place until an RFP is issued and awarded. Mr. Rankens would be informed that there was a process that would be followed.

Mr. Stokes questioned timing. Mr. Craven restated that the Board needed to approve the Stipulation & Consent Order. The Board's agreement with Mischler Financial would remain in place until after the RFP is awarded.

Ron Fowler believed that Mischler Financial also had a decision to make, (i.e. stay or go). Mr. Craven restated that DOI wanted the Board to retain an IA. Mr. Oyer restated his question: impact on the Board's investment strategy. Mr. Fowler directed Mr. Craven to reach out to Mr. Rankens as soon as possible. Mr. Craven responded affirmatively. An email with the Stipulation & Consent Order attached would be sent this day.

Mr. Craven informed the Board of a recent amendment to Article 4. It addressed situations when the municipality fails to make payments to Pension Boards. The Board has the ability to reach out to the Comptroller.

Mr. Craven restated that Mr. Rankens, (Mischler Financial), must disclose any/all fees regardless of paid by whom. Fees must be in writing, (i.e. full disclosure). He cited Section 113.5(d).

Mr. Craven informed the Board that after the initial DOI hearing all of the work on this issue had been conducted via teleconference. Mischler Financial's documentation was not as compelling as it needed to be. He believed that there would be resistance from Mischler Financial.

Board reached consensus to take action this date regarding the Stipulation & Consent Order.

Mr. Craven reminded the Board that in the near term it needed to make a decision regarding investments going forward.

Motion by Jim Stokes, seconded by Curt Oyer to accept and approve the Stipulation & Consent Order subject to the terms in Fred Moore's April 12, 2017 email.

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

Nays: None.

Motion carried.

Mr. Fowler signed the Stipulation and Consent Order. The document would be notarized by Mr. Craven.

Mr. Craven informed the Board that he had a medical release form for Matt Augsburger. He will provide same to Mr. Reeb. He noted a previous injury, (four to six/ 4 – 6 weeks earlier). The Board needed to secure three (3) physicians. (I recommend moving this paragraph to the April 21, 2017 meeting).

Motion by Carl Reeb, seconded by Paulette Hurd to adjourn. Time: 12:49 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