MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
April 15, 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, 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 4:02 p.m.

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

MINUTES

Correction to January 15, 2016 Meeting Minutes under Financial Statements, first paragraph change 12/31/16/ to 12/31/15 and change December, 2016 to December 2015.

Motion by Jim Stokes, seconded by Carl Reeb to approved the minutes of January 15, 2016 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 $1,388,459.38. He informed the Board that $725,000 had been transferred. Pension payments for January - $401,468.42, February - $399,426.49 and March - $397,520.68. As of March 31, 2016, IL Funds balance was $257,836.57. Mr. Reeb noted that questions had been raised regarding signatory for this account. The BMCU, (Bloomington Municipal Credit Union), statement had not been received as of this date. Checks written totaled $18,884.85. The following bills had been paid: Lauterbach & Amen/Municipal Compliance Report - $550; Insight, (three checks during the last quarter), - $4,181.87; Don Craven, Board attorney - $312.50; Curt Oyer/IPPFA Conference reimbursement - $335; Paulette Hurd/IPPFA Conference reimbursement - $415.00; Tracey Covert, Recording Secretary (two checks, October 2015 and February 2016 meetings) - $212.50; City of Bloomington/actuary report, (half of the cost), - $3,575; and Mesirow Financial/fiduciary insurance - $9,303. Mr. Reeb informed the Board that there had been a state wide premium increase.

Mr. Reeb informed the Board that the quarterly reports from Insight had not been received. He would make them available to the Board upon receipt of same.

Motion by Jim Stokes, seconded by Paulette Hurd 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.

FINANCIAL INVESTMENT REPORT

Larry Rankens, Mischler Financial Group's Senior Vice President, addressed the Board. He addressed the Summary Report which was an estimate as of March 31, 2016. The estimated Portfolio value was $49,731,831. He had prepared a Fixed Annuity Summary and a Variable Annuity Summary. He cited the market downturn. Equities represented just over 65.76% which was over the statutory limit. He believed the percentage would be over 66% by the Fiscal Year (FY) end which was on April 30, 2016. He referred the Board to the Variable and Fixed Annuity Summary Reports. Investments were on target. The Board had the ability to liquidate up to $3 million. The Board had looked at its cash flow and took action to liquidate $2.6 million. Mr. Rankins had prepared a Fixed Annuity Liquidations First Quarter of Calendar Year 2016 Report. He needed to meet with Mr. Reeb to reconcile the liquidations and the dates.

Three (3) investments had been made: 1.) two (2) were variable annuities with American General (AG); and 2.) an equity indexed annuity/fixed with Anico. Mr. Rankens provided the Board with a report entitled Annuity Investments First Quarter of Calendar Year 2016. Total investment was $1,925,000.

Mr. Rankens noted the FY end was near, (April 30th). He cited the state Department of Insurance (DOI) report. He cited page 7 (which was provided to the Board). He had highlighted the following: "of the market value of the pension fund's net present assets stated in its most recent annual report on file with the DOI." He believed that the Board needed to reduce its equity holdings to sixty-five percent (65%) by the FY end. He acknowledged that there had been staff changes at DOI.

He addressed the Board's equity investments. He provided the Board with a report entitled Potential SEP Account New Investments 04/30/16. This report included figures from FY 2014 and FY 2015. This figures were audited amounts. The potential adjustment for FY 2016 in order to lower equity holdings to sixty-five percent (65%) was ($379,494.85). The potential reinvestment amount on May 1, 2016 was $560,083. These dollars represented new investments.

Mr. Oyer noted that the Board might be okay at year end if it took no action. Mr. Rankens noted the Board's past conservative practice and staying at or under the sixty-five percent (65%) at year end. Mr. Oyer expressed his opinion that the Board could not make investments that would be in excess of sixty-five percent (65%). Mr. Rankens noted the law's intent. He had been an auditor. He believed that at the time of the audit, the Board must meet state statute (i.e. sixty-five percent/65%). The criteria was unknown. The language stated be at sixty-five percent (65%) at time of audit. This issue could be discussed with Lauterbach & Amen, the Board's outside auditors and the DOI's auditors.

Mr. Rankens noted the ten percent (10%) free withdrawal from the annuity investments (fixed and/or variable). Dollars would be reinvested on May 1st.

Mr. Stokes noted that the Board needed to respond to the DOI's report.

Mr. Rankens questioned how conservative or aggressive the Board wanted to be. Each annuity is held in a separate account. These are not life insurance contracts. He expressed his willingness to address the DOI's questions with DOI's staff. He restated the past practice to reduce equity holdings to sixty-five percent (65%) at the end of the FY. These dollars were reinvested after May 1st.

Mr. Oyer noted that if the market continued, the Board's equity holdings could be over the sixty-five percent (65%) limit. The Board should try to be under this percentage on April 30th.

Mr. Rankens noted that if the Board decided to liquidate some of its holdings, this could take seven to ten, (7 – 10), days. He would perform a re-evaluation on Monday, April 18, 2016 in order to try to determine the amount to withdraw. The Board would need to determine the amount to be reinvested. These investments would be separate accounts. He added that this should be a Board goal every FY.

Mr. Oyer noted the portfolio values at the close of the FY; FY 2015 - $50,594,713 and FY 2016 - $49, 731,831. Mr. Rankens noted that markets ten percent (10%) downturn this year.

Mr. Rankens made two (2) recommendations to the Board. This first was to direct Mischler Financial to liquidate equity investments to bring the Pension Fund into compliance with the sixty-five percent (65%) equity holdings as of April 30, 2016. The second was to direct Mischler to invest/bring equity levels to sixty-five percent (65%) as of the DOI's 2015 audit after April 30, 2016.

Mr. Stokes questioned the Board's comfort level with Mr. Rankens' recommendations.

Mr. Oyer stated his support for the first recommendation. He questioned/expressed his uncertainty regarding the second recommendation.

Mr. Rankens noted that any action would be dependent upon the market. The Pension obligation for the month of April had not been paid as of this date. The Board needed to use state statute to its advantage.

Motion by Jim Stokes, seconded by Curt Oyer to direct Mischler Financial to liquidate equity investments to bring the Pension Fund into compliance with the sixty-five percent (65%) equity holdings as of April 30, 2016.

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

Nays: None.

Motion carried.

Mr. Oyer cited the importance of hitting the target. He had no issue if the reinvested fund amount was under $500,000.

Mr. Rankens reminded the Board that annually there could be a ten percent (10%) market value withdrawal from each fixed and/or variable annuity (investment) without penalty.

Motion by Jim Stokes, seconded by Paulette Hurd to direct Mischler to invest/bring equity levels to sixty-five percent (65%) as of the DOI's 2015 audit after April 30, 2016.

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

Nays: None.

Motion carried.

Mr. Rankens believed the total amount would be below $500,000. He planned to email the Board with the final figure. Withdrawals would start on Monday, April 18, 2016.

COMMUNICATIONS

Mr. Reeb noted the upcoming IPPFA training which would be held in May 2016. Mr. Oyer and Ms. Hurd would be attending same.

He added that if re-elected to the Board, he would need to complete the Attorney General's Office's on line OMA, (Open Meetings Act), and FOIA, (Freedom of Information Act), training.

He also addressed the Statement of Economic Interest annual filing which was due by May 1, 2016. He had not received the form from the McLean County Clerk's Office and would reach out to same.

The Fiscal Year end was April 30, 2016. Work would commence on the Department of Insurance report in May 2016. Ann VanVooren, Lauterbach & Amen, (outside auditor), would begin field work in late May/early June 2016. Lauterbach & Amen also performed the actuarial study jointly funded by the City and Board. This work would start in June 2016.

WITHDRAWAL FROM THE FUND

Mr. Reeb informed the Board that Ryan Gleason, Firefighter/Paramedic, had resigned from the Fire Department. He had relocated to northern Illinois. His last service day was April 2, 2016. He had been with the City for three (3) years. Mr. Gleason was considering withdrawing from the fund. He was aware that there were tax implications. Numbers would have to be compiled. Mr. Gleason was a Tier 2 employee.

Ms. Hurd recommended that the Board have documentation, (i.e. withdrawal was offered, refused, etc. – everything should be in writing).

OLD BUSINESS

Mr. Stokes addressed the election process. The ballot was drafted and prepared. The number of eligible ballots would be matched to the Fire Department's roster. The election was schedule for April 18 – 20, 2016. On April 20th at 4:00 p.m. the ballots would be counted. The election results would include number of ballots provided, number of ballots returned, number of spoiled ballots, and election results by individual. The Battalion Chiefs would provide the ballot to on duty personnel. Mr. Reeb was the only candidate listed on the ballot. There also was an opportunity for write in candidates.

Mr. Reeb reported that the 1099R and 1099MISC were completed by January 31st, the legal deadline. He questioned what the IL Financial Entities Certificate was. He planned to reach out to both Insight, (accounting services), and Lauterbach & Amen, (auditing services).

He addressed the progress on the Investment Policy update. Meetings had been held in February and March 2016. This was a large project and progress had been made. A variety of documents had been gathered. Two (2) more meetings were planned, May 20 and June 17, 2016. He hoped to have a draft Investment Policy for the Board's July 15, 2016 meeting.

Mr. Rankins addressed the Board. He informed them that he had been a City Finance Director. An Investment Policy could be specific or it could adopt the statutory provisions. The Board could adopt an annual Resolution which addressed investment parameters and restrictions, such as commercial papers. The Resolution would provide administrative decisions/direction regarding investments. The Investment Policy must be on file with the Dept. of Insurance in order to adopt a Resolution.

Mr. Oyer questioned if Mr. Rankins had sample copies of any Investment Policies and/or Resolutions. He also addressed ranges for investments.

Mr. Rankens restated that the Investment Policy would adopt state statute. The Resolution would address what type of investments would not be selected. The Resolution was a separate action from the Investment Policy. He believed that this approach eased compliance with statute.

Mr. Reeb stated that the goal was an Investment Policy that provided the Board with flexibility.

Mr. Stokes expressed his appreciation for their effort to draft an updated Investment Policy.

NEW BUSINESS

Mr. Reeb addressed the Department of Insurance's audit. A response was needed in two (2) weeks from the date on their letter, (March 8, 2016). He had requested a thirty (30) day extension due to the Board's April 15, 2016 meeting date. The DOI wanted a response by

Friday, April 22, 2016. The Board was provided with a copy of the Police Pension Fund's response to their DOI audit.

Mr. Stokes recalled earlier information that the audit had gone well.

Ms. Hurd informed the Board that different DOI staff members handled the audit, (field work, written report). The Board was provided with a draft copy of DOI's audit report.

Mr. Rankens addressed Mischler Financial's response regarding investments. The Board was also provided with a copy of same. The annuities were not life insurance contracts. There were riders and each was a separate account. The Board owned the contract. There were subaccounts but there were no investments in life insurance. There appeared to be a misunderstanding. Mischler's response should be provided to DOI. Mr. Rankens expressed his willingness to discuss same with DOI staff. The Board was in compliance with statute. There were no investments in life insurance contracts. Aggressive alpha funds had been selected with a guaranteed growth of five percent (5%). He was willing to review the various prospectus with DOI staff.

Mr. Oyer requested a clarification to Mischler's draft response. See the first paragraph, third sentence, "We would like to be clear that at **no time** have any of the Fund's investment choices been in life insurance contracts nor have any life insurance contracts been offered <u>or held</u> within the investment options listed by the various separate account contracts that the Fund owns."

Mr. Stokes thanked Mr. Rankens and added that it appeared that the separate accounts were misunderstood.

Mr. Rankens noted the DOI's claim that the Board was in violation for investing in life insurance. This statement was not true. He readdressed the selected asset allocation. Management was a treasurer's issue. The annuities were in separate accounts. He noted the signatory requirements. He questioned specifically what needed to be signed. He also questioned if there could be a designee.

Mr. Oyer questioned concerns regarding the role of Treasurer. Mr. Reed noted that the Treasurer, (i.e. City Finance Director), was not on all of the Board's accounts.

Ms. Hurd suggested adding the Treasurer as a signatory. In addition, DOI has requested that each check have two (2) signatures.

Mr. Fowler recommended that the Board contact Don Craven, Board attorney, for clarification. He addressed comments listed on page 2 of DOI's draft audit report, (see bullet points: "the required signer on all accounts of the fund" and "While a dual signature requirement is recommended for internal control purposes, the municipal treasurer should be listed as a required signer on all accounts of the fund." He questioned if the City's Finance Director was required to sign every document.

Board consensus to send via fax the entire packet, (DOI's draft audit report, Mischler Financial's draft response to same, and Ms. Hurd's email dated April 14, 2016), to Mr. Craven for a legal review

Mr. Reeb addressed the Corporate Records comments, (DOI's draft audit report pages 7 – 8). There were nine (9) bullet points on page 8. He noted that signing the approved minutes would be easy to address.

Board discussion regarding fifth bullet point: "Discussion and approval of the annual tax levy requested from the municipality for the purpose of the pension fund."

Board discussion regarding the eighth bullet point: "The termination of pensions and corresponding reasons: e.g. death, dependent child turning eighteen." In the past, the Board's meeting agendas included Good and Welfare. Under this heading, the Board was informed of any deaths (pensioner, widow, etc.). Good and Welfare could be placed on meeting agendas when there was information to report to the Board.

Ms. Hurd addressed Accounting Records, (see page 8), first bullet point: "Personal property replacement tax money was combined with real estate property taxes when reported in the annual statement as of April 30, 2014." This issue had been addressed. In the future, the Board will also be receiving Utility Tax dollars.

Mr. Reeb questioned the timing for the Utility Tax payments. Ms. Hurd believed that the Board would receive an annual payment in the fall, (i.e. during the second quarter of the fiscal year).

Mr. Reeb and Ms. Hurd would draft a response to the DOI. Another extension would be requested due to the Board's April 15, 2016 meeting and the consensus of the Board to have Mr. Craven review the DOI's draft audit and the Board's response to same.

Mr. Reeb informed the Board of the death of Donna Poland, widow, on February 14, 2016. He also informed them that Suzanne Pochel, widow, appeared to be missing. Recent pension checks had been returned. Ms. Pochel had been living in Montana. It was believed that this issue would resolve itself at income tax time. Pension payments had been suspended in August 2015 and all pension payments since that time have been placed in an escrow account.

Lauterbach & Amen has mailed the affidavits last year. It was the Board's intention to have them do so again in 2016.

Motion by Carl Reeb, seconded by Jim Stokes to adjourn. Time: 6:12 p.m.

Motion carried, (viva voce).

Respectfully submitted:

Tracey Covert
City Clerk

Signed by:

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Ron Fowler, President

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Carl Reeb, Secretary