MINUTES OF THE ADDITIONAL MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
February 19, 2016

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

Member absent: Ron Fowler and Jim Stokes.

Others present: Tracey Covert, Recording Secretary.

The Fire Pension Board met at the Fire Headquarters located at 301 N. Lee St. Carl Reeb, Secretary, called the meeting to order at 4:00 p.m.

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

NEW BUSINESS

Carl Reeb introduced the topic of the Work Session: the Investment Policy. The following documents were provided to the Board members who were present at the meeting: 1.) Bloomington Fireman's Pension Fund Investment Policy; 2.) Police Pension Fund of the City of Bloomington Statement of Investment Policy, Objectives and Guideline July 2015; 3.) GFOA (Government Finance Officers Association) Sample Investment Policy; 4.) GFOA Best Practice Pension Investment Policies; 5.) GFOA Investment Policy Checklist for Pension Fund Assets; and 6.) Agreement between Bloomington Fire Fighters Pension Fund and Mischler Financial Group, Inc. He noted that the GFOA Sample Investment Policy had been provided by Ann Van Vooren, Lauterbach & Amen. The GFOA Best Practice and Policy Checklist had been provided by Paulette Hurd. The Agreement had been provided by Don Craven, Board attorney.

Paulette Hurd added that she had a copy of the City of Aurora's Fire Fighter Pension Fund's Investment Policy. She had found it on the Internet. She believed that the Board needed to review all relevant state statutes. She specifically cited those pertaining to an Investment Advisor and/or an Investment Consultant and the bidding requirements regarding same.

Mr. Reeb recommended that the Board develop a list of things to be included in the Investment Policy, (i.e. a checklist).

Ms. Hurd questioned the Agreement with Mischler Financial. She noted that according to the Agreement, Mischler Financial was a broker/dealer.

Board members reviewed the various documents provided. There was a lot of information provided. Discussion regarding how to proceed followed.

Curt Oyer addressed a number of concerns: 1.) should the policy be specific to the Board's current investments, (i.e. fixed and variable annuities); 2.) what is Mischler Financial (i.e. Larry Rankens) – broker/dealer, investment manager and/or investment consultant. There was little mention of insurance contracts in the current Investment Policy. He noted that the Police

Pension Fund's Policy limited an investment to no more than fifteen percent (15%). He believed that company ratings should be included.

Mr. Reeb expressed support for including specific benchmarks. He noted that it might not be possible to compare insurance contracts.

Mr. Oyer expressed interest in performance measurements being provided on a regular basis. He noted that the insurance contracts had a market value and a death benefit value.

Mr. Reeb recommended that the Board start with a new Investment Policy. Mr. Oyer recommended that the Board look at the GFOA's Best Practices document and reference the Police Pension Fund's policy.

Mr. Reeb had been given a sample quarterly report from the Police Pension Fund. He added that it would be difficult to compare the Fire Pension Fund's annuity holdings to mutual funds

Mr. Oyer had served on the Police Pension Fund board for fourteen (14) years. He noted that Fire Pension Fund board was different from the Police Pension Fund board. He cited the concern regarding safe investments.

Mr. Reeb questioned how the two (2) funds returns compared. Ms. Hurd noted that each had had good years and were meeting their general benchmarks. Mr. Oyer addressed the Fire Pension Fund Audit and the Investment Results. Mr. Reeb cited his interest in returns and meeting assumptions. The Board needed more information. Mr. Oyer addressed quarterly returns and references to death values.

Mr. Reeb addressed expenses. He provided quarterly statements from Jackson National, VOYA and AIG/Polaris Platinum. He did not seen anything out of the ordinary. He questioned the commission paid to Mischler Financial. He referred the Board to the Investment Policy, (page 5, second paragraph). The GFOA Investment Policy Checklist addressed soft money and directed brokerage, (see page 15).

Consensus reached to start with the Police Pension Fund's policy and the GFOA documents as templates.

Ms. Hurd acknowledged that the Fire Pension Fund had done well with the current Investment Policy. She added that the size of the portfolio might mean that an Investment Advisor would be warranted. An Investment Advisor would have a fiduciary responsibility. Questioned raised if Mischler Financial would be willing to accept this responsibility. He was noted that the Agreement would need to be updated. Current Agreement calls Mischler Financial a broker/dealer. In the future, it was recommended that it state that Mischler Financial was acting as an Investment Manager. Mr. Oyer questioned the location of the original Agreement.

Mr. Reeb recommended that the new Investment Policy consider a broader range of investment vehicles. Ms. Hurd added that an Investment Advisor/Investment Consultant had legal and fiduciary requirements. A broker/dealer did not. Mr. Reeb noted Mischler Financial's long term

relationship with the Fire Pension Fund. The Fund had achieved good earnings. Any commissions paid was an unknown. Mr. Oyer noted that earnings had and would vary from year to year based upon the number of investments. Mr. Reeb questioned if there was a general rule regarding commissions, (i.e. one-time payment or annual payments). He believed that the Fire Pension Fund had invested in quality products. Mr. Oyer restated that concern regarding safety and a guaranteed return. Mr. Reeb acknowledged that fire fighters took risks when performing their jobs, but not with issues involving money. He added that the current contracts would need to mature before the Board could broaden its holdings. Mr. Oyer addressed asset allocation. Currently, each contract was a segregated fund. Fixed annuities were equity indexed. Income was dependent upon the market with no potential for loss.

Discussion regarding drafting a new Investment Policy. Consensus reached to obtain an electronic copy of the Police Pension Fund's policy. Ms. Hurd offered to prepare a draft for the March meeting. Mr. Reeb offered to reach out to Lauterbach & Amen to request copies of other Fire Pension Funds' Investment Policies. Ms. Hurd expressed an interest in other Fire Pension Funds that used similar investment products. Mr. Oyer expressed his interest in a broader philosophy. Mr. Reeb responded affirmatively. He noted that Don Craven, Board attorney, would perform a legal review of the new Investment Policy and insert the appropriate statutory citations.

The next Additional Meeting to address the Board's Investment Policy will be held on March 17, 2016 at 4:00 p.m.

There being no further business the Additional Meeting adjourned at 5:30 p.m.

Respectfully submitted:

Tracey Covert
Recording Secretary

Signed by:

Ronald E. Fowler
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Ron Fowler, President

Carl R Reeb
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Carl Reeb, Secretary