MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
January 20, 2017

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

Absent: Carl Reeb, Fire Pension Board member.

Others present: Larry Rankens, Mischler Financial Group's Senior Vice President, Don Craven, Board attorney, 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 4:00 p.m.

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

MINUTES

Curt Oyer requested a correction to the Minutes. He cited the seventh paragraph on page 4 and requested that the second sentence be changed from "He believed the Fund had lost $924,663, (see page 16)." to "He believed the Investments have lost $1,441,663, (see page 16)."

Motion by Jim Stokes, seconded by Curt Oyer to approve the minutes of October 21, 2016 as corrected: see page 4, seventh paragraph second sentence: He believed the Investments have lost 41,441,663, (see page 16).

Motion carried, (viva voce).

TREASURER'S REPORT

Paulette Hurd presented the Treasurer's Report in Carl Reeb absence. The account balances were as follows:

Bloomington Municipal Employee Credit Union:	$98,186.40
IL Funds:	$258,579.72
PNC:	$2,271,607.49
Mischler Financial:	$70,859.00

The monthly pension costs were as follows:

October 2016	$393,567.16
November 2016	$447,238.63
December 2016	$339,108.79

Mr. Reeb has paid the following invoices as of December 19, 2016:

City of Bloomington (actuarial reimbursement)	$3,200.00
Tracey Covert (recording secretary)	$225.98 Minutes and copies
Don Craven (Board attorney)	$1,150.00 legal fees
Insight (Board accounting firm)	$1,489.66
IPPFA (Annual Membership)	$795.00
Lauterbach & Amen (Board audit firm)	$2,550.00 remainder audit cost/municipal compliance report
SafeWorks	$1,150.00 Bill Krohe's disability physical
TOTAL:	$10,560.64

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

Ayes: Jim Stokes, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

OLD BUSINESS/DOI HEARING UPDATE

Don Craven, Board attorney, addressed the Board. He informed the Board that the DOI, (Department of Insurance), delayed the conference call scheduled for today until next week. The DOI's most recent request was for the last thirty-eight, (38), contracts.

Larry Rankens, Mischler Financial Group's Senior Vice President, addressed the Board. He had traveled out of state in order to locate the Board's older contracts. DOI's first request was for contracts issued from 2009 – 2016. The DOI's second request was for contracts issued from 2011 – 2016. Ninety percent, (90%), of this work has been completed. DOI's third request was for the Board's last thirty-three, (33), contracts. He expressed Mischler's willingness to comply. He simply did not know what DOI wanted. A death benefit rider was not a life insurance policy. Variable annuity contracts have been approved by DOI. He was unsure of the bearing of this product on the life insurance question. This product cannot be offered unless approved by DOI for sale in Illinois.

Mr. Oyer questioned if this product was allowed under Article 3 and 4.

Mr. Rankens added that DOI has requested a spreadsheet for each contract. It was noted that as a regulatory agency, DOI can request anything. He restated that DOI staff will not tell what information they are looking for.

Mr. Oyer noted that DOI was understaffed. He questioned who would review the materials.

Ron Fowler believed that DOI was supposed to conduct an audit every seven, (7), years.

Mr. Rankens noted that if DOI determines that this product was life insurance, then they would no longer be available for purchase. There were a number of pension funds that had invested in same, (i.e. variable annuities).

Mr. Craven believed DOI was concerned about the riders.

Mr. Rankens noted that significant funds would be forfeited, (i.e. purchase/return). A variable annuity included an annuitant. The City might be the first. This product was not a life insurance contract. The Board has been utilizing this product for approximately sixteen, (16), years. Questions had never been raised in the past. The Board did not need an Investment Advisor. There was the death benefit value and the current returns. He had participated in the first conference call. There was no determination on the life insurance issue. He had requested a listing from DOI and received a lengthy one. It was restated that the DOI was a regulatory body which could request anything.

Mr. Oyer questioned if the local state legislators might be an avenue for outreach.

Mr. Craven reviewed the process. First there would be a hearing with a final determination. This would be followed with an Enforcement Letter. At that point the Board could decide to file in Circuit Court for administrative review. Mr. Craven hoped the conference call with a hearing officer would be rescheduled. He planned to reach out to the DOI's attorney in an effort to clarify the issue.

Mr. Stokes expressed his concern that the DOI could ruin the Pension Board's financial status.

Mr. Craven noted the withdrawal penalties. Mr. Rankens added that the Board would also loose the death benefit values. The DOI may recognize past actions and be stopped going forward. Under the annuities, 100% of the principal is guaranteed

Mr. Fowler acknowledged that the Board took its fiduciary responsibility seriously. He questioned if the issue was about fees.

Mr. Rankens stated that no fees were paid by the Pension Fund. Mischler Financial is paid a flat fee by the insurance company. He did not believe that the DOI accepted this.

Mr. Craven informed the Board that the administrative law judge was hired by the DOI. A new DOI Director was appointed in December 2016. There also was a new Director over Public Pensions.

Mr. Craven planned to review all material provided by Mischler Financial. At his first meeting with DOI staff, there was no problem with the variable annuities. The issue appeared to be the death benefit rider. Mr. Rankens noted the Board's financial philosophy. This benefit occurred upon a death event. It is used to maintain cash flow. The Board watched the sixty-five percent, (65%), equity limit. Adjustments are made at year end to stay within the statutory guidelines.

Mr. Craven cited his past experience with DOI. A common response today is that person is no longer here.

Mr. Rankens informed the Board that Mischler Financial would complete the DOI's second request.

Motion by Jim Stokes, seconded by Paulette to authorize Mischler Financial to comply with the DOI's second request and forward all materials to Don Craven, Board attorney, for review.

Motion carried, (viva voce).

Mr. Craven would review the information and email his response to the Board members.

Mr. Rankens noted that the Mischler needed to update its agreement with the Board. He had provided a draft copy for Mr. Craven's review. Mr. Rankens expressed his belief that the contract was in compliance with statute.

Mr. Cravens informed the Board that there had to be an agreement given Mischler Financial's fiduciary role. He planned to review the draft agreement. If Mischler was viewed as an Investment Advisor, then the Board would have to issue a bid every five, (5), years.

Mr. Rankens cited state statue (1-113.5(a)). The Board has purchased annuities from approved life insurance companies. The Board instructs Mischler as to what contracts should be executed. The Board may hire an Investment Advisor. Mischler Financial was a broker dealer and acted as an agent for the life insurance company. This was a nondiscretionary management program. The contracts were with the life insurance companies.

Mr. Oyer also read from state statute and addressed the five (5) year time line.

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 66.65%. The market has looked good. He wanted to address the Board's Variable Annuity holdings at the Board's April 21, 2017. He believed that changes needed to be made. He would present options. The Board needed to look at investment options. He directed the Board to its Delaware holdings. He requested to meet with Mr. Oyer or Mr. Oyer and Mr. Reeb.

Motion by Jim Stokes, seconded by Paulette Hurd that Curt Oyer or Mr. Oyer and Carl Reeb meet with Larry Rankens, Mischler Financial, to review the Board's Delaware holdings and consider changes to same and bring back a recommendation to the Board at its April 21, 2017 meeting.

Motion carried, (viva voce).

Mr. Rankens offered his assistance in a fiduciary role. At the meeting, Mr. Oyer and Mr. Reeb would look at underlying investments and annuitants. He planned to provide quarterly reports which would include three, (3), values, (Surrender, Market and Death Benefit).

Mr. Rankens questioned cash flow. Ms. Hurd noted that Property Taxes would be received in May/June 2017. Mr. Oyer added that the annual pension contribution was $800,000 and the monthly pension cost was $395,000. Mr. Rankens noted the Board's cash holdings were $2.6 million or approximately six, (6), months of pension costs.

Mr. Oyer expressed his interest in receiving performance information on a regular basis. Mr. Rankens planned to have information for the Board at its April 21, 2017 meeting. This information could be provided on a quarterly or annually. His goal for the April Board meeting would be to provide data over a three to five, (3 – 5), year period.

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

Ayes: Jim Stokes, Curt Oyer and Paulette Hurd.

Motion carried.

COMMUNICATIONS

Paulette Hurd informed the Board that she would attend the IGFOA, (IL Government Financial Officers Association), Conference and take online IPPFA courses to complete the state training requirement.

APPLICATION TO FUND

Ms. Hurd presented the following individual who had made Application to the Fund: Trevor Wilson. Mr. Wilson commenced his employment on December 13, 2016.

Mr. Craven informed the Board that the applicant needed to sign a release that named the Pension Board for the comprehensive physical. There should be a certificate from the doctor stating that there was no evidence of heart and lung diseases and cancer. He offered to provide the Board with a sample certificate, (i.e. it is currently in use in Springfield).

Tracey Covert, Recording Secretary, noted the City's past practice of splitting the comprehensive physical cost with the Pension Boards. The Board should reach out to the City's Human Resources Department and inquire about the change in practice.

Motion by Curt Oyer, seconded by Jim Stokes to accept the following individual into the Pension Fund: Trevor Wilson effective December 13, 2016.

Ayes: Jim Stokes, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

WITHDRAWAL FROM FUND

Ms. Hurd presented the following individual who may apply to withdraw from the Fund:

Louis Hoffman: start date – UNKNOWN, last day – January 13, 2017.

APPLICATION FOR PENSIONS

Ms. Hurd informed the Board that David Burke retired on Friday, November 10, 2016. Mr. Burke had 26.17 years of service.

Rank: Captain
Monthly Pension: $5,141.53
Annual increase: 3%

Motion by Paulette Hurd, seconded by Jim Stokes to accept David Burke's application for regular pension effective November 10, 2016.

Ayes: Jim Stokes, Curt Oyer and Paulette Hurd.

Motion carried.

OLD BUSINESS

Board was informed that Insight had completed its review of benefits and COLA, (Cost Of Living Adjustment), increases for retirees.

Board was informed that according to the SafeWorks physician Bill Krohe remains disabled.

Motion by Jim Stokes, seconded by Paulette Hurd to accept the physician's determination regarding Mr. Krohe.

Motion carried, (viva voce).

Board noted the challenge in finding a physician for Steve Hill. Mr. Hill had relocated to South Carolina. Mr. Craven informed the Board of its authority to hold Mr. Hill's pension in order to gain compliance.

NEW BUSINESS

The Board was informed that the 1099R and 1099MISC had been prepared by Insight and mailed by January 31, 2017.

The IL Financial Entities Certificate will be completed and filed by February 28, 2017.

Motion by Curt Oyer, seconded by Paulette Hurd to initiate the Trustee Election process for an Active Trustee in April 2017.

Motion carried, (viva voce).

The Board was informed that a meeting might be called during the month of February to address the DOI and a possible hearing.

Motion by Paulette Hurd, seconded by Jim Stokes to adjourn. Time: 5:25 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ronald E. Fowler | Carl R. Reeb
Ron Fowler, President | Carl Reeb, Secretary