

**AMENDED MINUTES
ROCKFORD POLICE PENSION BOARD
OCTOBER 15, 2015**

MEMBERS PRESENT: Jeff Nielsen, President
Marcia Mueller, V.P.
Joe Stevens, Secretary
Paul Swanberg, Assist. Secretary
Scott Laue, Trustee

ABSENT:

ALSO PRESENT: Roberta Holzwarth - Holmstrom & Kennedy
Mike Piotrowski – Marquette Associates

GUESTS: Aaron Reed – Kayne Anderson Rudnick

STAFF: Linda Wlaznik, Finance
Chris Black, Finance Director

The October 15, 2015 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order at 8:09 a.m.

Motion by Mueller and seconded by Laue to table the September 17, 2015 minutes of the Board meeting. APPROVED.

PUBLIC COMMENT

NONE

CASH & INVESTMENT REPORT

Piotrowski stated that the full quarterly report would be available next month. August was a difficult month; equity markets declined approximately 12%, but rallied at the end of the month. September was also a challenging month; the broad US equity markets were down almost 3%, the broad international markets were down almost 5%.

Since the end of September, there has been a significant rally in the markets. There is a 50% chance that the federal government will raise interest rates in March 2016.

Motion by Mueller and seconded by Laue to approve the withdrawal from Northern Trust Government Mortgage Fund in the amount of \$425,000 for cash needs. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve purchases and sales. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to notify Principal Property Fund to have dividends paid out as cash instead of being reinvested. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Piotrowski recommended continuing to reinvest the dividends rather than to have them paid out as cash.

CITY BILLS

Motion by Mueller and seconded by Laue to approve October City Services of \$9,741.67. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve September postage charges of \$134.71. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

The board discussed the pending QILDRO for Terry Peterson.

Motion by Mueller and seconded by Laue to approve payment to Holmstrom Kennedy, P.C. for September attorney fees for general in the amount of \$1,856.25. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to Holmstrom Kennedy, P.C. for September attorney fees for annual medical reviews in the amount of \$2,487.08. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Stevens and seconded by Swanberg to approve IPPFA 2016 annual membership dues in the amount of \$795.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to Linda Wlaznik for her expense report for the IPPFA Conference in the amount of \$100.28, of which \$50.14 would be paid by the Police Pension Fund. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to Jeff Nielsen for his expense report for the IPPFA Conference in the amount of \$212.74. APPROVED.

Ayes: Mueller, Stevens, Swanberg, and Laue

Nays: None

Abstain: Nielsen

Motion by Mueller and seconded by Laue to approve payment to Scott Laue for his expense report for the IPPFA Conference in the amount of \$165.60. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Swanberg

Nays: None

Abstain: Laue

ATTORNEY'S REPORT

Attorney Holzwarth referred the board to the two separate drafts of the City funding letter. Attorney Holzwarth discussed the difference in the two letters. The City Council has been made aware of the increase in the contribution requirement. The changes in two tables drove most of the increase in contribution due to mortality and turnover. Attorney Holzwarth recommended the second version of the letter.

C. Black stated that the City contribution for this year was more than what was required by the pension code.

Motion by Mueller and seconded by Laue to approve the tax levy request letter as amended. APPROVED.

KAYNE ANDERSON RUDNIK

Aaron Reed was at the meeting to present information regarding the performance of the City's portfolio with Kayne Anderson Rudnik. Mr. Reed gave a brief history of the firm. The firm was started in 1984. The owner, Mr. John Anderson was not involved in the day to day business; his philosophy was to purchase companies that were not debt ridden. Mr. Anderson passed away four years ago. The firm has 74 employees and has not had any structural changes.

Page 3 shows the allocations and the fund is currently at \$12,516,882 with a withdrawal of approximately \$7,000,000 **over the life of our investment in this portfolio**. The last few years the interest rate policy has been zero, which has allowed companies with high leverage and high debt to succeed. When the interest rate does increase, this will make it difficult for the smaller businesses. The goal of the firm is to buy companies with the same type of balance sheet as Proctor and Gamble.

Page 20 provides a snapshot of the portfolio; their view is to buy companies that have higher quality, better more consistent growth, and buy at a discount valuation. This will result in outperforming the market. The return on equity over the past five years has been 25%. The earnings per share and dividend per share growth is consistently more than the benchmark.

NEW BUSINESS

Motion by Mueller and seconded by Laue to approve the deferred pension benefit for Michael Triplett commencing on April 28, 2016 in the amount of \$4,307.85 monthly/\$51,694.20 annually, with a first prorated benefit of \$430.79 for the month of April. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Stevens to approve the pension application for Chester Epperson effective November 13, 2015 with a monthly benefit of \$8,586.50/\$103,038.00 annually and a prorated benefit for the month of November \$4,865.68. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve the military buy back for one year and six months for Gregory Ross in the amount of \$35,497.51 assuming the purchase is made prior to the end of October 2015. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

PAYROLL

Motion by Mueller and seconded by Laue to approve the October estimated payroll amount of \$1,283,965.45.

Motion and second was withdrawn.

Motion by Mueller and seconded by Laue to approve the October estimated payroll amount of \$1,279,099.77. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve the September actual payroll amount of \$1,278,045.09. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve the pension termination of Dorothy Hanson due to her death. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve the suspension of the pension for Robert Gibbs upon verification of his death. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion to adjourn was made and seconded at 10:40 a.m.

A large, stylized handwritten signature in black ink, located in the bottom right corner of the page. The signature appears to be a cursive representation of a name, possibly 'M. Laue'.