

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
May 19, 2016

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, May 19, 2016, at 3:15 p.m. on the second floor of the Fire Department Administrative Building at 204 S. First Street, Rockford, Illinois, pursuant to notice.

CALL TO ORDER

The meeting was called to order at 3:15 p.m. Upon a call of the roll, the following answered:

ATTENDED: Alan Granite, President Brian Carlson, Secretary
 Tracy Renfro, Trustee Carrie Eklund, Trustee/Interim City Finance Director

ABSENT: Michael White, Trustee

STAFF: Linda Wlaznik, Pension Investment Accountant Judi Yehling, Recording Secretary

GUESTS: Attorney Carolyn Clifford, Ottosen Britz Eric Gaylord, Marquette Associates
 Lieutenant Vince Boris Mark McDonald, Hillswick Asset Management

I. PUBLIC COMMENT -- None

II. MINUTES

- The April 21, 2016, minutes of the regular meeting were presented. Tracy Renfro made a motion to approve the minutes as presented and Brian Carlson seconded the motion. Upon a voice vote, the motion passed.

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

- Bradley Pond is retiring effective June 3, 2016, having served 29 years. He is entitled to a monthly pension of \$5,172.39 or an annual pension of \$62,068.63.

Alan Granite made a motion, seconded by Carrie Eklund, to approve the application for pension as presented. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
 Tracy Renfro Carrie Eklund
Nays: None
Absent Michael White

- Gloria Jacob, surviving spouse of Firefighter John Jacob, died on May 5, 2016, and her surviving spouse pension will terminate. Brian Carlson made a motion, seconded by Tracy Renfro, to approve termination of Gloria Jacob's surviving spouse pension. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
 Tracy Renfro Carrie Eklund
Nays: None
Absent Michael White

- No application has yet been received from Carolyn Kollberg for her surviving spouse pension.

IV. DISBURSEMENTS

- Alan Granite made a motion to approve the May payroll of \$1,390,958.12. Tracy Renfro seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
 Tracy Renfro Carrie Eklund

Nays: None

Absent: Michael White

- Invoices totaling \$58,943.69 as shown in the warrant packet were presented. Discussed the IDOI charge of \$8,000.00; it is the maximum charge because the Fund is so large. A motion was made by Brian Carlson, and seconded by Carrie Eklund, to pay the invoices as presented in the warrant packet. A roll call vote was then taken:

Ayes: Alan Granite Brian Carlson
 Tracy Renfro Carrie Eklund

Nays: None

Absent: Michael White

V. CASH & INVESTMENTS

- Mark McDonald of Hillswick Asset Management presented his report:
 - McDonald began his presentation discussing a “snapshot” of the how the portfolio is allocated (pg. 1). Currently, the portfolio is overweight to treasuries and underweight to corporate debt at 16%.
 - The duration is somewhere around three to five years in order to capture the flattening of the curve.
 - In terms of performance, there has been a sell-off in the bond market and half of their positive performance from the quarter was given back this month.
 - The chart on page 3 of the presentation shows GDP versus credit market debt, and McDonald commented that while credit debt “took off” in the ‘80s, the credit “boom and bust” has been “working its way out since 2004.”
 - McDonald discussed the chart on page 4 saying much of the debt was never paid down so the government stepped in in 2009-2010. This was passed on to corporate America who bought back stock and people were borrowing for consumption. However, they “did get their house back in order” but the debt ratio never came down which slows the economy. China became responsible for a large amount of debt much too quickly and became responsible for 60% of the growth on the globe which drove inflation up. U.S. debt to GDP was once over 100%, and China is now at 257% and has the same situation the U.S. had in 2008. The U.S. has done a great job of paying back debt and starting to rebalance.
 - The yield on bonds is still slow growth and rates will go higher but there is still some time. The U.S. has one of the highest yields.
 - We are currently in a low return/low yield environment, and Hillswick is looking to add corporates which have twice the yield of treasuries and selling duration down.
- Eric Gaylord presented Marquette Associates’ Flash Report as of April 30, 2016:
 - Looking at the U.S. economy, the first quarter GDP was up ½% which is a little slower than the prior quarter. There are global concerns but there has been some improvement in the housing

sector and wage increases of 2.3% over the year. However, the Fed is handicapped by the global situation.

- The Fund is well-positioned. Bonds have advanced and are up 3.4% YTD. However, in the U.S. equity market companies are buying back stock to pay dividends and earnings are down 7% and valuations are high. The S&P is up 1.4% for the month of April and core and value stocks are in positive territory for the month.
- There has been a lot of risk and volatility in the markets with Great Britain possibly leaving the Euro Zone and China's situation. Emerging markets were up .5%.
- The Fund was at \$149.1 million with 34.3% in fixed income. It is positioned conservatively versus its peers. There is 35.7% in U.S. stocks or slightly overweight and 16.7% in non-U.S. stocks or slightly underweight. The recommendation will be to take cash needs of \$1.6 million from U.S. stocks, half from the Vanguard Value Index (\$530,000) and half from the Vanguard Institutional Index Fund.
- The Fund was up .6% for the month and 3.7% YTD. U.S. equities have outperformed due to the value stocks and non U.S. equities have underperformed by 1.6%.
- As far as performance of individual fund managers:
 - Hillswick is up .1% for the month but has done well in the long term, and Segall Bryant is up .3%.
 - Fiduciary underperformed its benchmark but has done well YTD.
 - Manning & Napier and Brandes International did not do as well, as they were underweight to Japan which did do well. DFA, which was overweight to energy, "fared better" and has been strong so far this year, up 11.8% YTD.
 - Asked about Manning and Napier's alert status, Gaylord indicated they may be upgrading them a bit but Mike Piotrowski could discuss at the May meeting. He also mentioned that PIMCO is on alert but has finally bounced back and both portfolios will probably be off alert in May.
 - REITS was down 2.4% for the month, and Principal was up .5% and has added steady return.
- As far as the quarterly report, the Fund has been in the top decimal of all public benefit plans for over 10 years and in the top 3% this year. This is due largely to the asset allocations. However, with a lower risk portfolio, the trailing year's return is 1.1% which is not so good but this is a "disciplined portfolio."
- Cash needs are \$1.6 million. The recommendation is to take half the money, or \$530,000, from the Vanguard Value Index Fund and half from the Vanguard Institutional Index Fund.

Alan Granite made a motion, seconded by Tracy Renfro, to take \$530,000 from the Vanguard Value Index Fund and half, or \$530,000, from the Vanguard Institutional Index Fund. A roll call vote was taken:

Ayes:	Alan Granite	Brian Carlson
	Tracy Renfro	Carrie Eklund
Nays:	None	
Absent	Michael White	

- Records of purchases and sales were distributed. Tracy Renfro made a motion, seconded by Brian Carlson, to approve the purchases and sales for the month. A roll call vote was taken:

Ayes:	Alan Granite	Brian Carlson
	Tracy Renfro	Carrie Eklund
Nays:	None	
Absent	Michael White	

VI. OLD BUSINESS

- Reporting on Carla Heitter's disability case, Attorney Clifford indicated that we are waiting for one addendum report from Dr. Braaksma and then a hearing can be set either at or before the June meeting. This can be coordinated through e-mails.
- Attorney Clifford reported that it is down to one set of records to be submitted in Vince Boris' disability case. We are therefore ready to choose IME physicians. The Board discussed the fact that while it would like to have found more Rockford physicians to do IMEs it has not had much luck. The recommendation includes at least one occupational specialist, Dr. Samo or Dr. Williamson-Link, and three orthos in the northwest quadrant, all shoulder specialists – Dr. Greer from Hoffman Estates, Dr. Mark Levin from Buffalo Grove, and Dr. Gleason from Park Ridge, and only one from Rockford, Dr. Weiss. After some discussion, Brian Carlson made a motion to utilize Dr. Samo, Dr. Gleason and Dr. Williamson-Link as IME physicians with Dr. Mark Levin as an alternate. The motion was seconded by Tracy Renfro. Upon a voice vote, the motion passed.
- There is no actuarial report available yet, as the DOI annual statement has not yet been finished. There was some discussion of what to expect, and Attorney Clifford reported that Tim Sharpe had changed the mortality tables again in other reports he has submitted. "The results were alarming" Attorney Clifford said; in one firefighter pension fund, the recommended contribution went up 31% over last year.
- The results from the election for a retired Trustee were: Bill Beaman – 62; Joe Cascio – 30; and Steve Schulz – 14. Alan Granite contacted all three to thank them for their interest. Retired Division Chief Bill Beaman will attend next month's meeting. Linda Wlaznik will put together training options for him, and his term will be for three years through 2019. The Board also discussed disposition of "spoiled ballots."
- The Board reviewed the submission from Tim Bowen for fiduciary liability insurance coverage for the coming year. There were no changes to the CHUBB policy and cost is \$18,100 for one year (just for the Firefighters' Pension Fund). Alan Granite made a motion, seconded by Brian Carlson, to approve renewal Option #1 as presented covering July 2016 through July 2017. A roll call vote was then taken:

Ayes:	Alan Granite	Brian Carlson
	Tracy Renfro	Carrie Eklund
Nays:	None	
Absent	Michael White	

VII. NEW BUSINESS

- Linda Wlaznik informed Board that there is a new Security Administrator Form that must be signed but action can be taken at the June meeting when Bill Beaman, the new Board member, will be present.
- Linda Wlaznik asked for the Board's approval for Bill Beaman to complete the necessary 32-hour initial training; he can do it in person or online and may receive reimbursement for mileage and lunch. Alan Granite made a motion, seconded by Brian Carlson, to approve training and expenses for Bill Beaman. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
 Tracy Renfro Carrie Eklund
Nays: None
Absent Michael White

- There has been an inquiry from Curt Gazouski about combining creditable service. Linda Wlaznik has spoken with Gazouski, and he has 10 years of service with the Belvidere Fire Department and 15 years with the Rockford Fire Department. He has said that he spoke previously with then Board member, Jim Strey, about accomplishing the combination. Linda Wlaznik will need to investigate further to determine what has been done and what he might owe to accomplish this. Per Attorney Clifford, with 10 years on the other department, he is in a “good spot” to buy back his service but the interest will be expensive. Judi Yehling, the recording secretary, will look at the minutes for 2005 to see when Gazouski may have made a previous inquiry.
- Alan Granite advised Board that there are seven new applicants/recruits who need to be read in to minutes to formalize their membership in the pension fund. This was tabled until the June meeting.
- Question was asked as to whether ex-spouses are entitled to part of a duty disability pension under the state QILDRO statute, and Attorney Clifford confirmed that they are. Although the law references “retirement” benefits being subject to QILDROs, the courts have interpreted this to include disability benefits. Generally speaking, the amount received by an ex-spouse under a QILDRO is a proportional share based upon the number of years that the couple were married compared to the amount of creditable service the firefighter has at retirement. Linda Wlaznik cautioned that she (the Fund) just provides the dates of employment and the applicable salary information, and everything else in terms of calculating the shares is handled by the attorneys and judges.
- Legal Updates from Attorney Clifford:
 - She shared a DOI advisory opinion where a firefighter died as the result of a non-duty event (cancer) after less than 7 years of creditable service. According to the DOI advisory opinion, the spouse would get the surviving spouse pension. There is no vesting period for surviving spouse benefits under the state law. The DOI ruled that the surviving spouse shall collect a minimal pension.

VIII. CLOSED MEETING – None required.

IX. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried and meeting was adjourned 4:45 p.m.

Next regular meeting is June 16, 2016, at 3:00 p.m.

Signed:



Brian Carlson, Secretary
William Beaman
6/16/16

Date

Prepared by:

Judith Yehling, Recording Secretary

Date

Approved by the Board of Trustees at its June 16, 2016, meeting.

