

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
August 18, 2016

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, August 18, 2016, at 3:05 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 3:05 p.m. Upon a call of the roll, the following answered:

ATTENDED: Alan Granite, President Bill Beaman, Secretary
 Tracy Renfro, Trustee

ABSENT: Carrie Eklund, Trustee/Interim City Finance Director
 Michael White, Trustee

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

GUESTS: Attorneys Carolyn Clifford & Michael Weinstein, Ottosen Britz
 Eric Gaylord, Marquette Associates Lt. Vince Boris
 Chloe Kelley, PIMCO

I. PUBLIC COMMENT -- None

II. MINUTES

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

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

- The names of the following recruits who were appointed 4-18-16 were read in: Brandon Wiskes, Adam Frisbie, Kevin Betke, Tyler Behrends, Timothy Broderick, Clydale Hilson, and Ethan Flynn. All of these recruits will be under Tier II of the pension plan. Tracy Renfro made a motion to approve the pension applications of the individuals as listed above and Bill Beaman seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
 Tracy Renfro
Absent: Carrie Eklund Michael White
Nays: None

IV. DISBURSEMENTS

- Alan Granite made a motion to approve the August payroll and invoices as shown in the warrant packet for \$1,438,677.86. Tracy Renfro seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
 Tracy Renfro
Absent: Carrie Eklund Michael White
Nays: None

- An invoice dated August 16, 2016, for \$1,950.00 was presented for payment. The invoice covers one hour of phone testimony by Dr. Levin for Lieutenant Boris' hearing. Alan Granite made a motion, seconded by Tracy Renfro, to approve the invoice as presented for payment. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
Tracy Renfro

Absent: Carrie Eklund Michael White

Nays: None

V. CASH & INVESTMENTS

- Chloe Kelley of PIMCO presented her report:
 - PIMCO has \$1.51 trillion in assets under management. The business has stabilized under a new CEO appointed in 2014 who was with PIMCO for 27 years. However, with his departure they were looking for someone with business management experience and have hired Manny Roman who will be starting as CEO November 1st.
 - Their goal is to deliver high returns while providing risk diversification and inflation protection. PIMCO works with Research Affiliates who plays a primary role in determining strategy and asset allocation.
 - PIMCO is focused largely on “third pillar” assets or “diversifiers” versus core stocks and bonds.
 - Page 10 of the report shows the historical asset allocations with first and second pillar assets (core stocks and bonds) averaging 10% and 13% respectively and an average of 77% for third pillar assets, currently at 81%.
 - Page 12 shows performance of a 60/40 (stocks/bonds) portfolio versus a third pillar portfolio where the third pillar outperforms 27 out of 43 years or 63% of the time. Although the third pillar had negative returns in 2015, it did well in 2016 with an YTD average of 10.7% and is up 12% through the end of July versus 5.3% for the index.
 - The expectation for the next ten years is that there will be a lot more value in Emerging Markets so they will increase their allocation there.
 - The market, according to PIMCO, faces three challenges (pg. 25): inflation expectations, emerging markets and momentum. PIMCO is up 13.6% as of August 17th and is well positioned to take advantage of what's happening in the current market environment.
- Gaylord commented on PIMCO's presentation and performance saying PIMCO, which counts as equities, is a way to add return potential and diffuse risk with reasonable fees. Their performance has improved dramatically and they will be a good “stabilizer when inflation goes up.”
- Eric Gaylord presented Marquette Associates' Executive summary as of June 30th and the Flash Report as of July 31, 2016:
 - One of the issues that the Fund has faced has been the three portfolio managers that were on alert. It is Marquette's recommendation that all three be placed back in compliance. Manning & Napier appears to be stable now; DFA's performance has improved greatly -- they're up 17.2% versus the benchmark at 11.8%; and PIMCO since Bill Gross, the founder, has left has stabilized having found a longer term CEO. Alan Granite made a motion, seconded by Bill Beaman, to place Manning & Napier, DFA and PIMCO back in compliance. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman

Tracy Renfro
Absent: Carrie Eklund Michael White
Nays: None

- The second quarter report (pg. 14) shows the Fund up 4.9% for June and 6.1% per year, and it is ranked in the top 4% relative to its peers. It is outperforming its actuarial target and on pace to meet its actuarial assumption.
- The Fund has a strong allocation to US stocks. Both large and midcap stock allocations were placed in indexed funds but small cap was placed under active management. There is also a considerable allocation to real estate which has produced double-digit returns.
- The July 31 Flash Report shows the Fund with \$153.5 million, 34% in fixed income, 35% in US equities, 16.6% in International and 10.9% in Real Estate.
- The Fund has done “phenomenally well” and is up 2.1% for the month and 7.9% YTD.
- Fixed income is up 0.3% and has continued to stay strong. Foreign investors are moving out of their bond markets and to US bonds.
- The US stock portfolio is up 3.5% and the only active manager, Fiduciary, is up 3% but underperforming the benchmark.
- In the non-US equity managers, Manning & Napier is up 2.8% but underperforming the benchmark, Brandes is up 4%, DFA is up 6% and Putnam is up 4.6%.
- In real estate, the Vanguard REIT Index Fund is up over 20% for the year; Principal is steady and up 5%; and PIMCO has done tremendously so far this year.
- In summary, Gaylord said it’s been a “good month, no big crisis.” We seemed to have bounced back from Brexit.
- The recommendation is to take cash needs of \$475,000.00 from Fiduciary. Tracy Renfro made a motion, seconded by Bill Beaman, to approve \$475,000 to be taken from Fiduciary Management to meet cash needs for the month. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
Tracy Renfro
Absent: Carrie Eklund Michael White
Nays: None

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

Ayes: Alan Granite Bill Beaman
Tracy Renfro
Absent: Carrie Eklund Michael White
Nays: None

- A memo was provided showing City service charges and the allocation of costs.

VI. OLD BUSINESS

- Attorney Clifford advised that September 26th at 2:00 p.m. has been set as the date for the Heitter hearing in the Board room. There will be applicant testimony and then the testimony of Dr. Levin. The Board members will have the exhibit packets to review and prepare for hearing, now that we have given Heitter’s attorney an opportunity to review and object to any documents presented. Mr. Duda has requested the opportunity to cross examine Dr. Levin.

- Vince Boris' hearing is this afternoon at 4:30 p.m. following the Board meeting.
- There is no news on the actuarial report, as the DOI annual statement is still in progress. It should be available at the October meeting.
- The City audit is in progress and will be available at the October meeting.
- There is no further update on the Curt Gazouski matter until the annual statement is completed.

VII. NEW BUSINESS -- None

VIII. CLOSED MEETING – None required.

IX. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried and meeting was adjourned 4:05 p.m.

Next regular meeting is September 15, 2016, at 3:00 p.m.

Signed:

Prepared by:



 Bill Beaman, Secretary

 Judith Yehling, Recording Secretary

9/15/16

 Date

 Date

Approved by the Board of Trustees at its September 15, 2016, meeting.