

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
November 15, 2018

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, November 15, 2018, at 3:07 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 3:07 p.m. Upon a call of the roll, the following answered:

ATTENDED:	Bill Beaman, Secretary Michael White, Trustee Tracy Renfro, Trustee	Alan Granite, President Carrie Hagerty, Trustee/City Finance Director
STAFF:	Linda Wlaznik, Principal Accountant Judi Yehling, Recording Secretary	Allison Knox, Accountant
GUESTS:	Attorney Carolyn Clifford, Ottosen Britz Clark Koertner & Alexis Cann, Segall Bryant & Hamill Shurice Hunter, Director, Human Resources, City of Rockford	Mike Piotrowski, Marquette Associates

I. PUBLIC COMMENT – None

II. MINUTES

The minutes of the regular October 18, 2018, meeting were presented. Tracy Renfro made a motion to approve the minutes and Bill Beaman seconded the motion. A roll call vote was taken:

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

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

District Chief Tracy Renfro is retiring effective November 26, 2018, having served 25 years, 9 months and 4 days. He is entitled to a monthly pension of \$6,564.22 or an annual pension of \$78,770.69. Bill Beaman made a motion, seconded by Michael White, to approve the retirement pension application as presented. A roll call vote was taken:

Ayes:	Alan Granite	Bill Beaman	Michael White
		Carrie Hagerty	
Nays:	None		
Abstain:	Tracy Renfro		

District Chief Charles Barnes is retiring effective November 28, 2018, having served 33 years, 0 months and 3 days. He is entitled to a monthly pension of \$7,567.56 or an annual pension of \$90,810.72. Alan Granite made a motion, seconded by Carrie Hagerty, to approve the retirement pension application as presented. A roll call vote was taken:

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

Driver-Engineer Michael Riley is retiring effective November 22, 2018, having served 25 years, 8 months and 25 days. He is entitled to a monthly pension of \$4,961.20 or an annual pension of \$59,534.44. Tracy Renfro made a motion, seconded by Michael White, to approve the retirement pension application as presented. A roll call vote was taken:

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

IV. DISBURSEMENTS

Warrant packet for November 15, 2018, was presented in the amount of \$1,622,728.26. Discussed payment of the Marquette invoice which is to be paid as submitted and with approval of the new contract Marquette will submit a retroactive billing. Bill Beaman made a motion, seconded by Michael White, to approve payment of the warrant packet as presented in the amount of \$1,622,728.26. A roll call vote was taken:

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

V. CASH & INVESTMENTS

) Clark Koertner and Alexis Cann of Segall Bryant & Hamill, the international fixed income manager, presented their report:

- Koertner began by giving a summary of the markets, saying that third quarter markets performance was very different from the fourth, and the markets are overall very volatile.
- He gave a brief overview of the firm which is a local company based in Chicago with five offices around the country and 40 partners who are also owners. It is not a bank or publicly traded and its focus is client service dedicated to consistent portfolio management and consistent returns.
- Segall is always reinvesting back into the firm. On the fixed income side there are 55 CFAs with an average of 21 years of experience.
- Segall invests in high quality securities looking for consistent returns. Page 5 shows that over time they have increased the value of the portfolio by almost \$1.6 million as of October 31, 2018. SBH is outperforming in the fourth quarter.
- Segall is not a yield manager but are concerned with total return. They are overweight to high quality credit and the corporate sector and underweight to treasuries. Interest rates are going up and bond prices are down generating more cash quickly in order to invest at higher rates.
- Cann went over the market environment and historical performance citing page 8 which shows that in the third quarter hi-yield bonds performed well.
- Rates dropped significantly over time since 1990 (pg. 12) providing a solid cushion but in 2017 they were locked in to lower rates for more years giving zero cushion. Pension funds today have to go into equities to meet their actuarial rate of return. Fixed income is down from 60% allocation to 30% meaning they have to be really careful.

- o Page 16 gives a picture of the factors affecting interest rates and global banks are a driving force. Quantitative easing is dropping off and the supply of government debt has increased driving up interest rates higher and causing bond prices to drop.
- o Page 19 shows SBH's sector holdings versus Barclays. SBH has a lot of high-quality bonds with a much shorter duration versus the benchmark thereby insulating the portfolio. It is their belief that they are positioned to perform well.

Mike Piotrowski presented Marquette Associates' Executive Summary for September 30, 2018, and the Flash Report for October 31, 2018:

- o For October the Fund had a significant negative return wiping out all the previous gains. There's been a large amount of market volatility in the third quarter. The Fund is at \$154.3 million, and it was down 3.9% for the month and 2.5% for the year. October was a "quite challenging" month with a lot of market volatility; while the markets rallied in early November, they've sold off again. However, longer term performance has improved over time relative to the policy but volatility is increased.
- o There was a big sell-off in the market but no bond rally as normally happen. However, the two bond managers "hung in there well." The Fed continues to raise interest rates.
- o Individually, Fiduciary outperformed the benchmark for the month but its overall performance has been "lackluster." Internationally, Brandes and DFA "held up well."
- o Mike Piotrowski summed up by saying that the markets are "digesting" what's happening. Earnings are fantastic but their outlook is cautious; there are concerns about global trade and the effect Brexit and tariffs.
- o Cash needs for the month are \$225,000 and the recommendation is to take it from the Vanguard Value Index. Tracy Renfro made a motion, seconded by Bill Beaman, to take \$225,000 from the Vanguard Value Index to meet cash needs for the month. A roll call vote was taken:

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

VI. OLD BUSINESS

Gustafson disability matter – Attorney Carolyn Clifford told Board that Dr. Seltzburg has been sent the required \$6,000 retainer. Gustafson cancelled the November 9th meeting with Dr. Mosk and incurred a \$450 cancellation charge. However, Dr. Mosk was a psychologist not a psychiatrist so we needed to switch to a psychiatrist, a medical doctor. Gustafson was seen by Dr. Dinwiddie and Dr. Goldstein, the psychologist, and Attorney Clifford will find another psychiatrist. Question was raised that if he is found disabled would he be eligible for benefits back to the date he stopped receiving salary, and Attorney Clifford confirmed that he would.

Status of Lingel's transfer of creditable service to Chicago – No new update.

Investment Consultant Services – Attorney Clifford reported that she had deferred to Attorney Weinstein and Attorney Holzwarth who handled the review and revision of the proposed engagement letter with Marquette. There was a vigorous review and negotiation of Marquette’s fees, and Marquette was amendable to all of the proposed contract changes from the attorneys. Alan Granite made a motion, seconded by Carrie Hagerty, to approve the newly negotiated contract with Marquette.

A roll call vote was taken:

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

VII. NEW BUSINESS

Trustee Tracy Renfro Resignation Letter – His official resignation date is November 26th. His term ran through April 2021 so a new Trustee will have to be elected for his unexpired term. Alan Granite will post nomination forms and collect them on December 19th. If there is more than one nominee, he will get the ballots out by January 3rd and collect them for the January 17th meeting.

VIII. TRAINING

Legal updates – Alan Granite cited some issues from the AFFI pension conference he recently attended with regard to several issues. First, AFFI is recommending that pension boards adopt the NCPERS code of conduct that could be incorporated into the Board’s policy. It was noted that the Board has already adopted a code of conduct that was drafted by Attorney Clifford based on the NCPERS’s code of conduct and made part of the Board’s policies. The Board’s vendors have already signed it.

Another item was records retention. Records are kept by the City’s Finance Department and Ms. Knox is responsible for posting the agendas and the minutes on the City’s website. Attorney Clifford cautioned that any signatures on minutes and other Board documents be blacked out for identity protection purposes.

On the issue of pension funding, the Board discussed open versus closed amortization, and Carrie Hagerty said that Nyhart prefers the 30-year rolling liability but this is governed by state law and any change would require a change in state law.

Carrie Hagerty commented that the Rockford Mayor is on the new Governor’s transition team and there won’t be an end to discussions on pension consolidation. There is a slogan “Pot for Pensions” that proposes the possibility of funding the pensions with marijuana sales.

Pension obligation bonding was also recommended as a way to fund pension funds at the AFFI conference. Carrie Hagerty explained how the bonds would work and said financial professionals say “do not do this” although the County is on track for doing it. Carrie Hagerty believes this is a huge risk for the City; rather, she noted that we need changes on the funding and benefit side. The City has a long-term view and is risk averse for which these bonds are not good a good answer.

A discussion was also held on those entering as a Tier II member and when they need to apply for the pension.

Attorney Clifford cited a recent case involving the Countryside Police Pension Fund that addresses several issues, including a determination by the court that the pension protection clause in the Illinois Constitution does not protect retirees to continue receiving pension benefits to which they are not entitled. The case involved illegal pension spiking.

Attorney Clifford reminded the Board that the rules and forms will be updated in the spring and added that the policy on intercept process will be included.

Carrie Hagerty informed Board that the tax levy was approved by the City Council so the requested contribution to the Fund will be coming. She added there is a service that Lauterbach offers to all IPPFA members to search death records for free. The Police Fund wants to move forward with it. Carrie Hagerty will get the details, and the Board can vote on it at next month's meeting.

The Board discussed whether someone had notified the Finance Department about the death of retired firefighter Veto Santini. The Board also confirmed that former firefighter Dan Martin, who did not take his contributions back when he left the fire department before age 50, would still receive COLAs once he reached age 60 and began drawing retirement benefits.

IX. CLOSED MEETING – None

X. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried, and meeting was adjourned 4:30 p.m.

Next regular meeting is December 20, 2018, at 3:00 p.m.

Respectfully submitted:

Prepared by:

Bill Beaman, Board Secretary

Judith Yehling, Recording Secretary

Date

Date

Approved by the Board of Trustees at its December 20, 2018, meeting.