

Michael White made a motion to grant the surviving spouse pension of Janet Heaberlin. Motion was seconded by Carrie Hagerty. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman Michael White
Carrie Hagerty Todd Monahan
Nays: None

Surviving spouse Beverly Hare passed away January 12, 2019, and her pension will terminate. Michael White made a motion, seconded by Carrie Hagerty, to approve the termination of Beverly Hare’s surviving spouse pension. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman Michael White
Carrie Hagerty Todd Monahan
Nays: None

IV. DISBURSEMENTS

The warrant for February 21, 2019, was presented in the amount of \$1,653,858.85. The individual charges listed on the disbursement packet were explained for new Board member, Todd Monahan. Michael White questioned the charges of Dr. Roni Seltzberg in the Gustafson disability case and charges were discussed and explained. Michael White made a motion, seconded by Carrie Hagerty, to approve payment of the warrant as presented in the amount of \$1,653,858.85A roll call vote was taken:

Ayes: Alan Granite Bill Beaman Michael White
Carrie Hagerty Todd Monahan
Nays: None

V. CASH & INVESTMENTS

- Eric Gaylord presented Marquette Associates’ Flash Report for January 31, 2019, and the 4th Quarter Report:
 - Looking at the 4th Quarter report (pg. 5) Eric Gaylord said that it was a “pretty bad quarter to end the year.” There were \$8.8 million of investment losses for that quarter alone. However, there were still \$97 million investment gains over the last 10 years. The Fund has grown from \$123.9 million to \$148.8 million over the 10 years despite paying out \$72 million in benefits and administrative costs during that same time frame.
 - The Fund was down -5.5% in the fourth quarter of 2018 net of fees (compared to benchmark at -6.3%) (pg. 12) due to equity investments. This page also shows the decline in both US (down -13%) and International stocks (down -10%). The Fund’s ranking against other defined public benefit plans is in the 8th percentile; Eric noted that this is good considering the limitations in investments placed by statute. This means that the Fund outperformed 92% of other public pension funds for that quarter.
 - For the calendar year ending December 31, 2018, the Fund was down -4.1% net of fees (compared to benchmark at -4.4%) (pg. 13). This is the first negative year since 2008. Gaylord added that so far in 2019 the Fund has done much better.
 - The Market Tracker portion of the report shows that “we came out to a really good start in 2019.” The S&P was up over 8% in January; the international was up 7.6% for January and emerging markets were up 8.8%. The real estate market index was up 6.7%. For fixed income, bonds rallied

alongside equities and government bonds were up 0.5%. All assets recovered from the lack of confidence in the 4th quarter.

- Exhibit I shows the Fund and individual managers. At the end of January, the Fund was up to \$154 million; 33% of that was allocated to fixed income. The US equity portfolio had 33.5% versus 32.5% target. The non-US equity composite had 18.4% versus the 17.5% target. Real estate was at 9.9% in line with the 10% target. PIMCO was at 5.1% versus the 5% target and there was minimal cash. In general, the goal is to keep allocations within 5% of the policy targets.
- The Fund was up 4.7% net of fees for January 2019 (compared to the benchmark at 4.7%), erasing the losses in December 2018. However, over the trailing year we are still looking at a negative return. Over the long-term, the Fund is outperforming its actuarial rate of return, averaging 7.6% per year after fees. It was explained that if the 7.5% actuarial rate of return was lowered, then the City's contribution could be expected to go up. The pension is funded by three separate sources: the employee contributions, interest on investments and the City's contribution. The City hires the actuary and the actuarial report tells the City what needs to be contributed.

Cash needs for the month are \$1.5 million and the recommendation is to take it from the overweight equities: \$400,000 from Vanguard Institutional Index; \$400,000 from the Vanguard Mid-Cap Index fund, \$400,000 from American Fund and \$300,000 from the Brandes International Small Cap Fund. Bill Beaman made a motion, seconded by Michael White, to take 400,000 from Vanguard Institutional Index; \$400,000 from the Vanguard Mid-Cap Index Fund, \$400,000 from American Fund and \$300,000 from the Brandes International Small Cap Fund to meet cash needs for the month. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman Michael White
Carrie Hagerty Todd Monahan
Nays: None

Records of purchases and sales were distributed. Todd Monahan 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
Carrie Hagerty Todd Monahan
Nays: None

VI. OLD BUSINESS

Gustafson disability matter – Attorney John Motylinski reported that Gustafson has seen all three of the IME psychiatrists but we still need reports from two of them. Gustafson will then see Dr. Goldstein, who is the Board's IME psychologist, again on February 25th. Once all these reports are compiled, then a mutually agreed upon date is set for a hearing. Following the hearing, the Board will task the Attorney with preparation of the Board's Findings and Decision.

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

Death audit services – There is no updated information.

VII. NEW BUSINESS

Retiree Trustee nomination – The Board was provided with the sample retiree nomination letter for Trustee Bill Beaman's term which will expire on April 30, 2019. It states that the nomination will need to be returned to Allison Knox by March 19th. The letters will be sent out February 22nd and Allison will report back at the March 21st meeting. Michael White made a motion, seconded by Carrie Hagerty, to approve the retiree trustee nomination letter to be sent out to the retirees. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman Michael White
Carrie Hagerty Todd Monahan
Nays: None

VIII. TRAINING

Legal updates – Attorney John Motylinski updated the Board on an email that Attorney Carolyn Clifford sent out about the five or six bills that are pending in pending in the Government and Pensions Subcommittee of the Illinois General Assembly on consolidation of the Article 3 or 4 pension funds. This “comprises everything they could possibly do with pension consolidation.”

Attorney Motylinski also touched on the two studies conducted by IPPFA on consolidation. One was the impact the consolidation would potentially cost; under the worst-case scenario, the study predicted \$155 million and it would take no less than 10 years to recover any savings. However, under the best-case scenario, the consolidation could actually save money, depending on when the assets are transferred to a consolidated fund.

The other IPPFA study recommended opening the investment authority to the funds to invest in more equities and other types of investments currently prohibited by state law. Attorney Motylinski noted that the estimation was that for a fund Rockford’s size there would be a 4% increase if the restrictions were lifted.

Attorney Carolyn Clifford also provided for the Board an article about a pension disability case in Chicago. It was a PTSD case and does not really apply to the Gustafson case. However, what this does indicate is that there is a rise in these PTSD disability cases coming before the Illinois appellate courts.

Asked about the possible schedule for a hearing for the Gustafson disability matter, Attorney Motylinski said he thought it would be two to three months before the hearing would take place.

Allison Knox brought to the Board’s attention some inquiries she had from some of the newer retirees if they could receive their direct deposit advices and affidavits electronically. Attorney Motylinski said that these could be sent out by email – there is no legal reason why they cannot be sent by email. Allison said she sends out about 600 direct deposit advices every month and she would like to add a check box “if you would like to receive your advice by email.” Carrie Hagerty said that for pension benefits in general, the law does not allow the City to mandate pensioners’ benefits be directly deposited.

IX. CLOSED MEETING – None

X. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried, and meeting was adjourned 4:10 p.m.

Next regular meeting is March 21, 2019, 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 March 21, 2019, meeting.