

MINUTES
ROCKFORD POLICE PENSION BOARD
FEBRUARY 21, 2019

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

ABSENT:

ALSO PRESENT: Eric Gaylord – Marquette Associates
Roberta Holzwarth – HolmstromKennedy PC

GUESTS: None

STAFF: Allison Knox, Finance
Carrie Eklund, Finance Director
Angela Hammer, City Attorney (exited at 8:15 a.m.)

The February 21, 2019 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:09 a.m.

Motion by Mueller and seconded by Laue to approve the January 17, 2019 minutes of the Board meeting as amended. APPROVED.

PUBLIC COMMENT

NONE

ATTORNEY'S REPORT

Attorney Holzwarth stated the Attorney for Shalene Eagleson, Attorney Gesmer, has no objection to the City's petition to intervene. Attorney Holzwarth recommended the board grant the petition to intervene

Motion by Mueller and seconded by Stevens to grant the petition of the City of Rockford to intervene in the disability application matter for Shalene Eagleson. APPROVED.

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

Nays: None

CASH & INVESTMENTS

Gaylord stated that the market was up 8% the month of January. Both Small Caps and Emerging Markets were up over 8%. There will **likely** be a negative impact on first quarter Gross Domestic

Product (GDP) due to the government shutdown and the potential tariffs. The current market value of the fund is \$188.6 million.

Motion by Mueller and seconded by Stevens to approve the withdrawal of \$300,000 from Vanguard Institutional Index Fund, \$300,000 from the Vanguard Mid-Cap Index Fund, and \$600,000 from Fidelity Diversified International Equity Fund for cash needs. APPROVED.

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

Nays: None

Gaylord stated that the total fund was up 4.3% for the month, up 2% for the last three months. Over the ten-year period, there is an annualized return of 8.2%. Fixed income rallied in January up .07%, outperforming the intermediate government index fund. The U.S. Equity Composite underperformed the Wilshire 5000 broad market, but was still up 8%. Kayne Anderson Rudnick also underperformed for the month, up 7.2% versus 11% for the benchmark. For the Total U.S. Equity Composite, the average was 15.8% annually for the last decade outperforming the broad market.

The International Composite was up 6.9% for the month. This was the first year since 2008 the plan has had a negative return for the year (-3.9%).

Gaylord reviewed the performance of DFA by calendar year. DFA has had two years of underperformance -23% in 2018, up 28% in 2017, -17.5% in 2011, and up 18.1% in 2010.

Gaylord reviewed the International Small-Cap search. Brandes was removed to include Kayne Anderson Rudnick in the search. Kayne Anderson's trailing price to earnings ratio of the portfolio is 14.2 versus the DFA Small Value Fund 10.4. DFA tends to hold a group of diversified earnings with thousands of names; they use a quantitative process and screen out the most expensive stocks. Segal Bryant Hamill is a more active manager; they screen out companies on a different basis. Time Square is similar to Kayne Anderson Rudnick with a more concentrated portfolio. Kayne Anderson has significant investment in Asia and the emerging markets. Gaylord stated Piotrowski's recommendation is to stay with DFA for right now. Kayne Anderson Rudnick's fee is 1.21% and DFA's fee is 0.68% basis points.

The board discussed DFA and recommended revisiting again in 6 months.

Motion by Mueller and seconded by Stevens to approve purchases and sales as attached to the agenda. APPROVED.

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

Nays: None

CITY BILLS

Motion by Mueller and seconded by Stevens to approve January postage charges of \$275.86. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve February City Services of \$6,700.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for general matters for the month of January in the amount of \$978.75. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for the Shalene Eagleson disability application for the month of January in the amount of \$3,864.52. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve the payment to Kayne Anderson Rudnick for investment management fees for the period October 1, 2018 through December 31, 2018 in the amount of \$23,447.54. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve the payment to Segall Bryant & Hamill for investment management fees for the period October 1, 2018 through December 31, 2018 in the amount of \$15,758.56. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve the payment to IPPFA for **Marcia's** attendance at the 2019 Illinois Pension Conference in the amount of \$385.00. APPROVED.

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

Nays: None

ATTORNEY'S REPORT

Attorney Holzwarth recommended keeping the closed session minutes on the list confidential.

Motion by Mueller and seconded by Stevens to keep the closed session minutes on the list closed going forward. APPROVED.

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

Nays: None

Attorney Holzwarth reviewed the list of physicians for Shalene Eagleson's disability matter.

Motion by Mueller and seconded by Stevens to approve the selection of Dr. Alpert, Dr. Vora, Dr. Shadid, and as an alternate Dr. Lapinski for the evaluation of Shalene Eagleson related to her disability application. APPROVED.

Motion by Mueller and seconded by Stevens to approve the determination that the permanent afternoon investigator shift stipend currently \$1,600 annually, is not pensionable. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to rescind the approval previously made in January to approve the pension application by John Gradick due to his request. APPROVAL.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve the **revised** pension application for John Gradick due to his marriage, effective March 7, 2019, for the first month in the amount of \$4,347.16, a monthly benefit of \$5,390.48/\$64,685.78 annually, subject to receipt of appropriate documents. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

Nays: None

OLD BUSINESS

Attorney Holzwarth stated that the certified letter sent to Elsie Jean Forsyth's son was not accepted.

NEW BUSINESS

The board agreed to move the March meeting to March 26, 2019 at 8:00 a.m.

PAYROLL

Motion by Mueller and seconded by Stevens to approve the February estimated payroll in the amount of \$1,545,040.47. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve the January actual payroll in the amount of \$1,539,201.42. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

Nays: None

Motion to adjourn was made and seconded at 10:12 a.m.