

Kirt Croutcher is eligible for his first increase; the monthly increase will be \$194.98/month for a monthly benefit of \$6,694.25 or an annual pension of \$80,331.00. Todd Monahan made a motion, seconded by Bill Beaman, to approve the increase as presented. A roll call vote was taken:

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

Elaine Schulstrom, surviving spouse of Russ Schulstrom, passed away April 18, 2019, and her pension will terminate. Alan Granite made a motion, seconded Todd Monahan, to terminate Elaine Schulstrom’s surviving spouse pension. A roll call vote was taken:

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

Allison Knox spoke with Howard Dunn with reference to the benefit correction and retroactive payment of \$26,024.11 he is due with applicable statutory interest and indicated he would be receiving a letter to that effect. Dunn was somewhat upset by the expected taxes he would incur. Alan Granite made a motion, seconded by Bill Beaman, to approve the payment of \$26,024.11 to Howard Dunn as the retro amount owed him with applicable statutory interest under Section 4-138.10 of the Illinois Pension Code (40 ILCS 5/4-148.10). A roll call vote was taken:

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

Allison Knox has not received any response back yet from Ellen Ryan who is also due a retroactive benefit payment of \$7,1815.84 as the result of a benefit mistake. Alan Granite made a motion, seconded by Bill Beaman, to approve the payment of \$7,1815.84 to Ellen Ryan as the retroactive amount owed her with applicable statutory interest under Section 4-138.10 of the Illinois Pension Code (40 ILCS 5/4-138.10). A roll call vote was taken:

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

IV. DISBURSEMENTS

The warrant for May 16, 2019, was presented in the amount of \$1,749,071.31. Bill Beaman made a motion, seconded by Todd Monahan, to approve payment of the warrant as amended in the amount of \$1,749,071.31. A roll call vote was taken:

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

V. CASH & INVESTMENTS

- Drew Baldwin and Ethan Wren of Dimensional presented the fund's performance report to the Board as of May 2019:
 - Dimensional has been in business for 37 years and has over 1,400 employees globally.
 - They have investments "all across the spectrum" with \$576 billion in assets under management.
 - Page 7 shows the performance of the various funds over a 15-year period with most of the surviving fund placing behind Dimension in terms of performance.
 - Dimensional engages in value investing and it had been a "tough environment for the past 20 years for value.
 - The emerging markets portfolio is invested in over 19 countries with 2,500 names.
 - Year to date the emerging markets portfolio is at 7.97% versus the MSCI Emerging Markets Value Index at 9.09% but at 3, 5 and 10 years they were ahead of the index as shown on page 25.

At the end of Dimensional's presentation, Mike Piotrowski commented that their "biggest headwind" is the value premium and since we hired them in 2011. Value has underperformed but he went on to say that "now is the exact time you want to have them...they have had a difficult time (but) it is worth sticking with them." The fee is reasonable, and they hold names for long periods of time and always have a small cap bias.

- Mike Piotrowski presented Marquette Associates' Flash Report for April 2019:
 - Mike Piotrowski began by saying the Fund continues to show strength and is currently at \$157.6 million and is slightly overweight to equity. Overall the economy has shown strong GDP growth and low unemployment. The market has done well despite the trade concerns and Brexit.
 - The Fund's performance was 1.9% net of fees for the month of April (compared to benchmark at 1.8%) and 9.3% net of fees YTD (compared to benchmark at 9.3%).
 - Most of the managers have done well except for DFA and Brandes. Consequently, Marquette has done a manager search in the international small cap space to replace Brandes. Mike Piotrowski commented that a lot of the funds in that space are closed or are close to capacity but there are three others that they looked at:
 - **Kayne Anderson** – a core manager leaning slightly toward growth with high quality stocks and approximately 60 securities.
 - **SBH** – is a value-leaning fund and more quantitative.
 - **TimesSquare** – a core to growth manager.
 - Page 10 of Exhibit IV shows the performance of the funds, and in most cases, it is style specific. Mike Piotrowski prefers active management in this space but the choice is difficult due to the volatility of the market. Mike Piotrowski believes that Kayne "stands out" with a lower level of risk and a higher return but this product has only a five-year track record. However, he also believes that the fund will do well and close in two to five years. They are expensive but they have "good downside capture." They own little companies with solid financials and no debt and have a high alpha.

Michael White made a motion, seconded by Bill Beaman, to terminate Brandes and hire Kanye in the international small cap space. A roll call vote was taken:

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

Cash needs for the month are \$1.3 million and the recommendation is to split it and take \$300,000 from Vanguard Value Index Fund and \$1 million from Vanguard Institutional Index Fund. Bill Beaman made a motion, seconded by Carrie Hagerty, to take \$300,000 from Value Index Fund and \$1 million from Vanguard Institutional Index Fund to meet cash needs for the month. A roll call vote was taken:

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

Records of purchases and sales were distributed. Todd Monahan made a motion, seconded by Michael White, to approve the purchases and sales for the month. A roll call vote was taken:

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

VI. OLD BUSINESS

Gustafson disability matter – Attorney Carolyn Clifford reported that we have not yet received the IME psychologist’s report from Dr. Goldstein. She reported that the most recently received IME psychiatrist’s report describes several specific on-duty incidents, and thus, she will be preparing a subpoena to the fire department for those reports that Gustafson described to the IME psychiatrist. Worker’s comp has subpoenaed the IME physicians’ reports but after Attorney Clifford spoke to the worker’s comp attorney, he agreed to withdraw the subpoena until everything has been received from all IME doctors.

Trent Brass – Allison Knox has received an inquiry from Trent Brass about combining creditable service. He was with the DeKalb Fire Department for five years before joining the Rockford Fire Department. Since he was hired in 2001 by the Rockford Fire Department, the 21-month period does not apply and Attorney Carolyn Clifford said that Allison Knox should go ahead with the calculations; she should do the same as she did with Gazouski.

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

Death audit services – Attorney Carolyn Clifford talked with Bobbi Holzwarth, the Police Pension Board’s Attorney, who is checking into what it would cost the City to contract with Life Status 365 directly; she will also look at the vendor that IMRF uses as another option. Carrie Hagerty said that the service is “not forthcoming” on the details of the data sources and protection, and Attorney Holzwarth is not interested in using them.

Annual IMEs – Attorney Carolyn Clifford reported that medical authorizations have been received for both John Albaugh and Michael McCallips and their IMEs are scheduled for May 20 and May 17 respectively.

DOI Annual Statement – Allison Knox reported that she is still in progress on completing the statement.

VII. NEW BUSINESS

Fiduciary Liability Policy – Allison Knox sent an email this morning to the insurance broker regarding the fiduciary liability policy. She used the previous application but suggested changing the contact to just the City of Rockford. In the past, the liability amount has been \$3 million per year; police use \$5 million but the \$3 million should be adequate. What was presented is just the application, and the Board can vote on the actual policy at next month’s meeting.

Affidavits of Eligibility – Allison Knox provided an update on the affidavits saying that the goal is to send them out electronically just like the checks. She wants to get them out by June 1st. She did advise the Board that the DOI has a new requirement for the annual statements: the DOI wants spousal information (birthdate and gender) of all retirees for purposes of the actuarial valuations. Thus, Allison will be adding questions requesting spousal information to the annual affidavits. The retirees will be informed that they agree to get the form electronically unless otherwise noted. Phone numbers will also be added.

VIII. TRAINING

Legal updates – Attorney Carolyn Clifford commented on actuarial valuations that have been received by other firefighter and police pension funds, saying many are sticking with a 7% rate of return, despite actuarial advice to lower it. The Lauterbach & Amen’s actuary’s narrative on setting the investment return assumption is that there should be a 50% chance of the assumption being met over the long term. If the assumption is brought down, it raises the City’s required contribution. The recommendation is to review the assumed rate of return with the Fund’s actuary this year.

Attorney Carolyn Clifford said nothing new has been put forward on consolidation; in Springfield, “everything is on the revenue side.” She reported that Governor Pritzker’s committee on consolidation is expected to release a report on July 1st with a recommendation.

Carrie Hagerty said there has been a delay by the county in issuing the property tax bills but they should be out the end of next week. Consequently, there will be a delay in tax receipts being received by the City from the county.

IX. CLOSED MEETING – None

X. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried, and meeting was adjourned 4:40 p.m.

Next regular meeting is June 20, 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 June 20, 2019, meeting.