

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
June 20, 2019

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, June 20, 2019, at 1:05 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 1:05 p.m. Upon a call of the roll, the following answered:

ATTENDED:	Bill Beaman, Secretary	Alan Granite, President
	Carrie Hagerty, Trustee/City Finance Director	
ABSENT:	Michael White	Todd Monahan
STAFF:	Allison Knox, Accountant	Judi Yehling, Recording Secretary
GUESTS:	Attorney Carolyn Clifford, Ottosen Britz	Mike Piotrowski, Marquette Associates
	Claudette Grant, American Fund	

I. PUBLIC COMMENT – None

II. MINUTES

The minutes of the regular May 16, 2019, meeting were presented. Bill Beaman made a motion to approve the minutes and Carrie Hagerty seconded the motion. A roll call vote was taken:

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

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

Per Allison Knox, with the settlement of the labor contract, adjustments will be made to next month's pension benefit checks retroactive to January 1, 2018.

Driver Engineer Lisa Williams is retiring effective July 18, 2019, having served 26 years, 7 months and 19 days. Her benefits are effective July 25, 2019, based on her 50th birthday, and she is entitled to a monthly pension of \$5,138.38 or an annual pension of \$61,660.60. 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
	Carrie Hagerty	
Absent:	Michael White	Todd Monahan
Nays:	None	

Lieutenant Michael Barnhart is retiring effective June 5, 2019, having served 30 years, 2 months and 23 days. He is entitled to a monthly pension of \$6,131.47 or an annual pension of \$73,577.60. Bill Beaman 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
Carrie Hagerty
Absent: Michael White Todd Monahan
Nays: None

Lieutenant Daniel Allen is retiring effective May 27, 2019, having served 12 years, 11 months and 5 days. His benefits will be effective July 15, 2038, on his 60th birthday and he will be entitled to a monthly pension of \$1,579.30 or an annual pension of \$18,951.59. Allison Knox broke out his military no pay and captured the time for his deferred pension; she has a spreadsheet which shows that he made normal pension contributions when he came back. 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
Carrie Hagerty
Absent: Michael White Todd Monahan
Nays: None

Allison Knox noted that she keeps a list of those members eligible for deferred payments and when.

Max Kirschbaum passed away June 1, 2019, and his pension will terminate. He has no eligible survivors. Bill Beaman made a motion, seconded by Carrie Hagerty, to terminate Max Kirschbaum's pension. A roll call vote was taken:

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

Carolyn Egler, surviving spouse of Joseph Egler, passed away May 31, 2019, and her pension will terminate. A copy of the death certificate has not yet been received; Allison Knox talked to the daughter and if the date of death is actually June 1, then there will be one day's benefit paid for the month of June. Bill Beaman made a motion, seconded by Carrie Hagerty, to terminate Carolyn Egler's surviving spouse pension. A roll call vote was taken:

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

IV. DISBURSEMENTS

The warrant for June 20, 2019, was presented in the amount of \$1,652,990.03. Carrie Hagerty made a motion, seconded by Bill Beaman, to approve payment of the warrant in the amount of \$1,652,990.03. A roll call vote was taken:

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

V. CASH & INVESTMENTS

- Claudette Grant of the American Fund's EuroPacific Growth Fund presented the fund's performance report to the Board as of June 20, 2019:
 - The American Fund is a privately held fund founded in 1931 with 1.7 trillion in assets under management.
 - There are multiple portfolio managers, and the EuroPacific Growth Fund has nine managers who each manages in their own style. This set up helps reduce key man risk. The portfolio has a 10% allocation per manager and the analysts have a 12% investment – they put their money behind their selections. Compensation is aligned by their performance on a 1-, 5- and 8-year basis.
 - The EuroPacific Growth Fund is a core international fund with a 32.1% exposure to emerging market countries, which the most ever exposure to emerging market companies. The portfolio has over 300 holdings in 38 countries with an emphasis on Tech and Health sectors.
 - Eight of the portfolio managers have over 10 years' experience with 70 analysts supporting them.
 - In an overview of market performance, 2019 has been a great year so far but there was a great deal of volatility in April and May. Brexit and China and the tariffs have had a big effect and they are watching the countries and companies closely.
 - Performance-wise through June 17, YTD the Fund is up 13% making it 300 basis points over the benchmark. At one year, the Fund was down 40 basis points or -6.66%; at 3 years 7.76% and 5 years at 3.31% for a return in excess of 200 basis points. Stock selection has been positive for all sectors.

At the end of American's presentation, Mike Piotrowski commented that American has a rather short track record with lots of ups and downs, but overall they have done well.

- Mike Piotrowski presented Marquette Associates' Flash Report for May 2019:
 - Mike Piotrowski began by saying May into June is "the tale of two worlds." May was a very challenging month in a risk-off environment. The value of the Fund is currently at \$153.1 million at the end of May. There are cash needs, but allocations are very much in line with the policy statement.
 - The Fund's performance was -2.6% on a net of fees for the month of May but a positive 6.5% net of fees YTD.
 - Part of the downturn in performance was due to that of Brandes, which has since been canceled and the money has been moved over to Kane Anderson. We are still working through that liquidation, but it should be completed shortly, according to Mike Piotrowski.
 - Otherwise, fixed income returns are 4.3% YTD, US equities at 11.4% and international at 4.8%, real estate at 2.3% and global at 4.9% through May. At this point the Fund has essentially recouped all the losses from the month of May. In June performance should be between 9 and 10%.
 - Risk assets have done well, and bonds have rallied as well.
 - In terms of individual performance, DFA has struggled but come back over the last few months. Vanguard Midcap was at 13.8% for May and 21.2% through yesterday. Pacific Growth was at 10.3% through May and 15.6% through yesterday. While volatility continues, the economic environment remains quite strong. "It should be a good year with a 9-10% return right now."

- Mike Piotrowski commented that a down market is more favorable towards active managers. When markets go up and down, “that’s when active managers add a little value.” So far real estate is the lowest performing asset class this year, but we can expect about a 7% return this year according to Mike Piotrowski.

Cash needs for the month are \$700,000 and the recommendation is to split it and take \$300,000 from PIMCO and \$400,000 from EuroPacific Growth Fund. Carrie Hagerty discussed the tax delay but there should be enough cash on hand in July. Alan Granite made a motion, seconded by Bill Beaman, to take \$300,000 from PIMCO and \$400,000 from EuroPacific Growth Fund to meet cash needs for the month. A roll call vote was taken:

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

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

Ayes: Alan Granite Bill Beaman
Carrie Hagerty
Absent: Michael White Todd Monahan
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 and she has not responded to requests for status. She will be preparing a subpoena to the fire department for those reports that Gustafson described to the IME psychiatrist but she is waiting for Dr. Goldstein’s report.

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

Death audit services – Attorney Carolyn Clifford said that Bobbi Holzwarth, the Police Pension Board’s Attorney, is still investigating.

Annual IMEs – Attorney Carolyn Clifford reported that medical authorizations have been received for both John Albaugh and Michael McCallips, and the IME physicians have reported that both continue to be disabled. Alan Granite made a motion, seconded by Bill Beaman, to accept the IME reports which reflect that both Albaugh and McCallips continue to be disabled. A roll call vote was taken:

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

DOI Annual Statement – Allison Knox reported that it is still in process. Additional spousal information has been requested this year in the DOI interrogatories. An extension has been filed with the DOI and approved. The audit should be completed mid-July. Per Carrie Hagerty, “this was a learning year for everybody.”

VII. NEW BUSINESS

Fiduciary Liability Policy – Allison Knox provided the packet with the quote. Chubb did not want to quote additional coverage, so we are still at \$3 million “which is an appropriately limit for this risk.” The premium only went up by 3%. Discussed what else be available -- there are only three other carriers. Consensus was to bring Mesirow out at a later date, but Carrie Hagerty recommended renewing the policy now.

Carrie Hagerty made a motion, seconded by Bill Beaman, to approve the renewal of the Fiduciary Liability Policy for \$18,564.00.

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

Resolution for Signatory Authority – Attorney Carolyn Clifford advised that Carrie Hagerty needs to formally delegate her signing authority to Alan Granite, Allison Knox and Todd Monahan. Alan Granite made a motion, seconded by Carrie Hagerty, to approve the resolution to establish signatory authority for the Rockford Pension Fund and Carrie Hagerty assigns that authority in her absence to Alan Granite, Allison Knox and Todd Monahan. A roll call vote was taken:

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

Review of Closed Session Minutes – Alan Granite made a motion, seconded by Carrie Hagerty, to continue to keep all closed session meeting minutes closed, as the need for confidentiality still exists, following this biennial review. A roll call vote was taken:

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

Affidavits – Allison Knox reported that out of the 333 affidavits sent out, 142 have been returned. Only 49 of the 142 returned said “Yes” to receiving them electronically (paperless). The deadline for returning the affidavits is August 31st. Bill Beaman offered to remind retirees at their July meeting about affidavits being due.

Metheny – Allison Knox reported that she is still receiving repayment checks on the account.

VIII. TRAINING

Legal updates – Attorney Carolyn Clifford reported on a conversation she had with the Police Pension Board Attorney, Roberta Holzwarth, concerning the actuarial report. Carrie Hagerty indicated that the report would be received for review and then the actuary would be coming out in August.

Attorney Carolyn Clifford provided a handout from *Actuary Magazine* saying that it predicts a “bleak future on investment returns.” Mike Piotrowski said that Marquette could run a study for the July meeting that could give a picture of where the Fund stands.

Attorney Clifford also brought up a program that aired on Father’s Day on *Sunday Morning on CBS* on firefighting and its relationship to contracting cancer. She followed by stating that it seems that more states are passing more favorable laws for providing benefits for firefighters contracting cancer.

IX. CLOSED MEETING – None

X. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried, and meeting was adjourned 2:35 p.m.

Next regular meeting is July 15, 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 July 18, 2019, meeting.