

MINUTES
ROCKFORD POLICE PENSION BOARD
MAY 16, 2019

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

ABSENT: Scott Laue, Trustee

ALSO PRESENT: Mike Piotrowski – Marquette Associates
Al Mezny – HolmstromKennedy PC

GUESTS: Drew Baldwin – Dimensional Fund Advisors
Ethan Wren

STAFF: Allison Knox, Finance
Carrie Hagerty, Finance Director
Angela Hammer, City Attorney

The May 16, 2019 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:11 a.m.

Motion by Mueller and seconded by Stevens to approve the April 29, 2019 minutes of the Board meeting as amended. APPROVED.

PUBLIC COMMENT

NONE

Angela Hammer, City Attorney addressed the board regarding the Shalene Eagleson disability matter. At this time, it is not known if depositions are needed. We received the most recent IME last week, within the last two weeks; two IME's have been received. Attorney Hammer suggested moving the hearing date to August 15.

Motion by Mueller and seconded by Stevens to grant the City of Rockford's request to move the Sergeant Shalene Eagleson duty disability hearing to August 15, 2019 at 9:00 a.m. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

CASH & INVESTMENTS

Piotrowski referred the board to the April Flash Report. April was a good month, mainly driven by equity markets. This month we will have cash need approximately \$950,000. Over the next couple of months, there should be sufficient cash on hand due to property tax receipts.

For the month, the total fund composite was up 2.1%; this brings the year-to-date return to positive 10% on a net of fee basis. The longer the uncertainty goes on with global trade, the greater the chance of an impact on the global economy. The vast majority of the managers are doing their job.

Motion by Mueller and seconded by Stevens to approve the liquidation of \$400,000 from the Vanguard Value Index Fund and \$550,000 from the Vanguard Institutional Index Fund for a total of \$950,000 for cash needs. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

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

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

CITY BILLS

Motion by Mueller and seconded by Stevens to approve April postage charges of \$141.83. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

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

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for general matters for the month of April in the amount of \$3,465.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC in the amount of \$1,080.00 for services, and \$24.68 in Disbursements related to the Shalene Eagleson disability application for the month of April. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedy PC in the amount of \$450.00 for Annual Medical Reviews. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to Woodlake for the evaluation of Shalene Eagleson by Dr. Alpert in the amount of \$2,435.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to Kayne Anderson Rudnick for investment management fees for the period January 1, 2019 through March 31, 2019 in the amount of \$25,737.48. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to Illinois Department of Insurance Compliance fee in the amount of \$8,000.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

ATTORNEY'S REPORT

Attorney Mezny stated that for the it is not known **for the Eagleson case** if either party will request live testimony from the physicians. The board briefly discussed options for charging if doctors are requested to be at the hearing.

OLD BUSINESS

Knox mentioned there was an officer transferring from the Rockford Police Department to Arlington Heights and had questions regarding a form.

NEW BUSINESS

Motion by Mueller and seconded by Stevens to approve the monthly increase for Todd McLester in the amount of \$590.02, a monthly benefit of \$5,611.46/\$67,337.52 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

Motion by Mueller and seconded by Stevens to lay over the Fiduciary liability policy. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

The affidavits will be mailed out June 1, 2019 with a return due date of August 31, 2019.

Motion by Mueller and seconded by Stevens to approve the revised annual affidavit form to include the advice delivery method section.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

PAYROLL

Motion by Mueller and seconded by Stevens to approve the May estimated payroll in the amount of \$1,560,969.98. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, and Berke

Nays: None

There was no change in the April actual payroll in the amount of \$1,558,103.94. No action needed.

Dimensional Fund Advisors

Drew Baldwin and Ethan Wren were at the meeting to present information regarding the performance of the City's portfolio with Dimensional Fund Advisors.

Mr. Baldwin reviewed page seven "Evaluating Dimensional Across Strategies." Mr. Wren stated that the funds operated by Dimensional Fund Advisors is under the same philosophy; DFA buys smaller companies, value companies, and companies with higher profit. The philosophy DFA operates under normally provides good results. Mueller commented that they were not outperforming the benchmark.

Mr. Wren explained that the DFA underlying philosophy is similar to that of the consumer; the consumer buys the least expensive item. Mr. Wren reviewed the Yearly Observations of Premiums, the Historical Observations of Five-Year Premiums and 10-Year Premiums.

Mr. Wren referred the board to page 25 of the handout regarding the police pension fund performance. The value benchmark underperformed the style neutral benchmark by about 2%. The underperformance between the benchmarks; **deeper** value underperformed in that period. The fund underperformed the value benchmark; the fund is deeper valued than the benchmark.

Mueller voiced her concern with the performance over the past ten years. Mr. Wren stated that the portfolio is broadly diversified. Piotrowski asked for a perspective on how significant the value versus growth premium has been recently. Value has underperformed growth extensively and for a prolonged period. Mr. Wren responded that when they look at the small cap and value segment market; the companies that score low on profitability are the least profitable tend to have the worst returns. This fund is deeper value and smaller than the benchmark. There will be large swings in the performance, both up and down.

The goal of the portfolio is to give you small cap value exposure; **there are no REITS in the portfolio because** REITS are slightly different from small cap value exposure.

Piotrowski recommended staying with DFA.

Motion to adjourn was made and seconded at 10:03 a.m.