

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

V. CASH & INVESTMENTS

Mike Piotrowski presented Marquette Associates' Flash Report for July 31, 2019:

- Mike Piotrowski began by discussing the general market in Exhibit I which showed S&P 500 up 1.4% in July and 20.2% YTD. However, in August it was down 4.7% although still 15% YTD. He discussed a theory that if there is a yield curve inversion that this usually precedes a recession. He went on to say that there was a sharp sell-off in the market August 14 and he does not necessarily believe that this theory will hold true. He admitted that there is definitely a global slowdown in growth overseas with Brexit, Europe is somewhat antiquated political systems and the US/China trade situation but the US economy is still growing.
- The Fund is at \$161.8 million with 33% in Fixed Income and 37% in US stocks and the Fund is within target allocations; there are no cash needs.
- In July the portfolio was flat at 0% but in August it is just above the actuarial assumption. US equity was up 1.2% in July but was behind the benchmark due to its value leaning.
- Individually, Fiduciary was above its benchmark at 24.4% YTD versus the benchmark at 13.6%. Real estate was up 0.5% with a steady positive return. Although PIMCO was down 0.4% for the month, it was up 7.7% YTD.
- Mike Piotrowski commented that August will probably be a negative month, as investors are not as confident going forward.
- Exhibit III provided the report for the second quarter.

Allison Knox said cash needs for the month can be met by tax receipts.

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

VI. OLD BUSINESS

Gustafson disability matter – Attorney Carolyn Clifford reported that she is anticipating Dr. Goldstein's report imminently and once she has that she will subpoena the records that Gustafson mentioned and set a hearing date at the September meeting. .

Status of Lingel's transfer of creditable service to Chicago – There is no new update on/from Lingel.

Death audit services –Mike Zurek of Nyhart informed Board that Nyhart could provide death audit services free of charge which would be HIPAA compliant and protect personal privacy.

Affidavits – There are 62 outstanding affidavits, and Allison Knox will give the list to Alan Granite and Bill Beaman for follow up. The Board discussed a recent inquiry about survivor benefits by Robert Tassoni

regarding his father Patrick Tassoni who is in hospice, both retired firefighters. The pension benefits for Patrick Tassoni will be paid directly to the care facility.

Board Rules & Forms – Agreed that the review of the Board Rules and Forms will be moved to December.

VII. NEW BUSINESS

Mike Zurek presented Nyhart's actuarial report for 2019:

- Zurek began by discussing the mortality assumptions. They looked at past experience and new studies which have shown a longer life expectancy (pg. 3). The DOI has opted for new methodology using the generational approach which Nyhart has also adopted.
- Nyhart is proposing to change the interest rate assumption from 7.5% to 7.4%. Although the DOI is using 6.5% assumption Nyhart says that while they cannot support a 7.5% rate assumption, they can support moving to 7.4% with a goal of making a gradual move toward lower assumption rates in the future. The Board discussed the national trend to lowering the investment return assumption and noted the assumptions being used by various other funds like IMRF which recently lowered its assumption to 7.25% and Chicago fire which recently lowered its assumption to 6.75%. Mike Piotrowski commented that "as long as interest rates are so low, it would be difficult to obtain a 7.5% rate of return."
- Zurek went over the participant information (pg. 7) which shows that the active member count has gone down a little bit – from 278 in January 1, 2018 to 272 as of January 1, 2019. The average age has declined from 40.0 to 39.6 years of age and average plan compensation from \$82,683 to \$82,261.
- Zurek discussed the 2018 Change in Assets (pg. 8), commenting that the assets are very volatile but smoothing helps. He went on to say that the market value is higher than the actuarial value: in 2018 the net investment returns were -3.9% based on market value of assets but 4.4% based on the actuarial value of assets. Carrie Hagerty commented that the City's additional contribution to the Fund last year of \$800,000 is larger than normal since collections were up over what was budgeted.
- Looking at page 9, Zurek reviewed the 2018 contributions, commenting that the unfunded liability, like a mortgage payment, grows with interest every year. The review of 2019 valuation results on page 10 shows that if the funding policy was 100% by 2030 (instead of 90% by 2040), it would move the Fund much closer to paying down the unfunded liability.
- Page 11 provided an overview for the Projection of the Net City Contribution over time using an assumed rate of return of 7.4%. Zurek discussed 100% funding versus 90%. We could start looking at a 15-year amortization and put in place a long-term plan for a long-term funding policy. As the actuary, it is their obligation to show projections, and the formal report will talk more about the risks as risk assessment is a new requirement of the actuary standards of practice (ASOP 51).
- Nyhart will be presenting the report to the City Council on Monday, and Carrie Hagerty will send the actuarial report and combined presentation to the Board. Attorney Carolyn Clifford suggested that the compliance report and tax levy letter be done in October, once the DOI valuation is also available for the Board's review and the municipal compliance report is completed.

VIII. TRAINING

Legal updates – Attorney Carolyn Clifford provided an article from *Crain's Chicago Business* and a chart showing assumptions t for Illinois Public Pension Funds.

IX. CLOSED MEETING – None

X. ADJOURNMENT

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

Next regular meeting is September 19, 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 September 19, 2019, meeting.