

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
September 19, 2019

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, September 19, 2019, at 3:05 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 3:05 p.m. Upon a call of the roll, the following answered:

ATTENDED:	Bill Beaman, Secretary	Alan Granite, President
	Todd Monahan, Trustee	Carrie Hagerty, Trustee/City Finance Director
	Michael White	

STAFF:	Allison Knox, Accountant	Judi Yehling, Recording Secretary
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GUESTS:	Attorney Carolyn Clifford, Ottosen Britz	Tulsi May and Will Powers of PIMCO
	Mike Piotrowski, Marquette Associates	

I. PUBLIC COMMENT – None

II. MINUTES

The minutes of the regular August 15, 2019, meeting were presented. Bill Beaman made a motion to approve the minutes and Todd Monahan seconded the motion. A roll call vote was taken:

Ayes:	Alan Granite	Bill Beaman
	Todd Monahan	Carrie Hagerty
		Michael White

Absent: None

Nays: None

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

Patrick Tassoni, a Firefighter who was made a ward of the state, passed away September 3, 2019. His pension will terminate. The final check will be sent to his estate. Before voting, the Board discussed the situation where his adult son, Robert Tassoni, had sought information to determine whether he qualified as an adult disabled child and receive a dependent benefit. He dropped the matter after receiving a letter from the Board's attorney, outlining the statutory requirements for adult disabled children benefits. Bill Beaman made a motion, seconded by Carrie Hagerty, to terminate the pension benefits of Patrick Tassoni. A roll call vote was taken:

Ayes:	Alan Granite	Bill Beaman
	Todd Monahan	Carrie Hagerty
		Michael White

Absent: None

Nays: None

IV. DISBURSEMENTS

The warrant for September 19, 2019, was presented in the amount of \$1,651,345.15. The invoiced amount for Marquette was discussed and it was explained that it was invoiced to get the billing cycles to match with the contract. Bill Beaman made a motion, seconded by Carrie Hagerty, to approve payment of the amended warrant amount of \$1,651,345.15. A roll call vote was taken:

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

V. CASH & INVESTMENTS

Tulsi May and Will Powers presented the PIMCO Report for September 19, 2019.

- PIMCO manages the All-Asset portfolio for the Rockford Firefighters' Pension Fund. The portfolio concentrates on the "third pillar." According to PIMCO, the first pillar consists of US equities, which averages 9% of the fund; the second pillar holds US bonds, which averages 14% of the fund; and the third pillar is the remaining categories of assets, which averages 77% of the fund. PIMCO partners with Research Affiliates who chooses the funds but PIMCO manages the assets. PIMCO is intended to be a diversifier within the Fund's portfolio.
- Page 7 shows the allocation of assets within the third pillar (green in the chart) which makes up 80% of the portfolio and consists of largely emerging markets equities and bonds, commodities and REITS, etc. "This is where (they) see opportunity."
- Page 8 shows the correlation between between the third pillar and the S&P 500's returns which is much lower.
- Page 9 shows the performance. Over the last 47 years, the third pillar has outperformed a 60/40 portfolio 60% of the time. But they did admit that in a 60/40 portfolio, the US equity markets outperformed the third pillar.
- PIMCO said they anticipate a bull market for the next five to seven years which will be good for all asset portfolio performance.
- On performance, PIMCO said the third pillar performs well when the markets are down. The market value of the portfolio is \$7.8 million and since 2012, when the Rockford Firefighters' Pension Fund invested with PIMCO, there have been positive returns of 3.36%. 2018 was a challenging year but in August 2019 the fund was up 6.46%, and yesterday (9/18/19) it was up 7.5%.
- As shown on page 15 (the blue line) the all-asset class was above the CPI 85% of the time. Page 23 shows the real returns of the third pillar with a 5% yield and page 24 shows the allocation and where PIMCO sees value today. Their allocations add to inflation protection.
- PIMCO All-Asset portfolio does well when the equity markets are down.
- The allocation within the pillars changes from time to time, but the ranges are pretty steady. There is "no emotion" involved in making the decision as to where to invest; it is all model-driven using a lot of discipline.

- Mike Piotrowski commented that the market is at an all-time high which is a tough market for PIMCO. Most of their valuations are in non-US equities.

Mike Piotrowski presented Marquette Associates’ Flash Report for August 31, 2019:

- The Fund is at \$158.2 million and is within target allocations. There is significant cash on hand, and thus, there is no need to sell investments for cash needs.
- Returns are down slightly for the month, -0.7%, but they are up 9.8% YTD which puts the Fund well on pace to meet the assumed rate of return.
- All the major portfolios are in positive territory. US equities have returned 13% over the last 10 years but non-US has returned only 5% in that same timeframe, as there are issues within the international space.
- Individually, DFA’s value leaning has hurt them. But in the last two weeks, value and small cap have done well. Fiduciary is protecting in a down month. Over the seven years the Fund has been in real estate, that portion of the portfolio has provided a 9% return.
- Mike Piotrowski discussed the economic environment saying that the Fed cut interest rates yesterday (9/18/19) and global growth is slowing. The sector to “keep an eye on” is the consumer. The business numbers may be poor but consumer spending has been great and 70% of growth is based on consumer spending. The belief is that companies with strong earnings will do well but we are “in the later stages of this cycle” so Marquette is “cautiously optimistic.” “It’s been a great year so far but there are headwinds on the horizon.”
- 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 Bill Beaman, to approve the purchases and sales for the month. A roll call vote was taken:

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

VI. OLD BUSINESS

Gustafson disability matter – Attorney Carolyn Clifford reported that she is “pushing” Dr. Goldstein to complete her IME report and was told today that her reports are “almost done.” Once Dr. Goldstein’s report is received, Attorney Clifford will subpoena the fire department for specific incidents that the IME physicians have noted in their reports.

Status of Lingel’s transfer of creditable service to Chicago – There is no new update regarding the Lingel transfer of service to Chicago. Attorney Clifford commented that she knows of several instances of outstanding requests for transfer of creditable service for Chicago. However, recently, she is aware of one Article 4 fund receiving final transfer numbers. In that situation, the amount owed to Chicago exceeded what the member and Article 4 were required to send to Chicago.

Death audit services –Bobbie Holzwarth, the attorney for the Rockford Police Pension Fund, forwarded an amendment to the City’s contract with Nyhart to provide death audit services at no cost to either pension board. The amendment acknowledges Nyhart’s obligation to protect the members’ personal information under state law. Alan Granite made a motion, seconded by Todd Monahan, to allow the City to contract with Nyhart using the amended agreement to audit death records at no cost. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
Todd Monahan Carrie Hagerty
Michael White

Absent: None

Nays: None

Affidavits – Allison Knox reported that there is only one annual affidavit of eligibility that has not been returned, and the affidavits were due August 31, 2019. Alan Granite made a motion, seconded by Carrie Hagerty, that no electronic deposit be made of this person’s pension benefits and to cut a paper check which will be held until receipt of the affidavit. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
Todd Monahan Carrie Hagerty
Michael White

Absent: None

Nays: None

A further discussion was held to change the due date for affidavits to August 15th for future years. A motion was made, and seconded by Todd Monahan, to change the due date for affidavits to August 15th. A roll call vote was taken:

Ayes: Alan Granite Bill Beaman
Todd Monahan Carrie Hagerty
Michael White

Absent: None

Nays: None

Board Rules & Forms – Agreed that the review of the Board Rules and Forms will be moved to December but Attorney Clifford will begin distributing draft revised forms in the fourth quarter.

VII. NEW BUSINESS – None

VIII. TRAINING

Legal updates – Attorney Carolyn Clifford asked that copies of the materials from Carrie Hagerty’s presentation to City Council be made available to the Board. Carrie Hagerty commented that Mike Zurek (from Nyhart) did an excellent job of explaining the actuarial valuation to the City Council. She indicated that the Aldermen understood his presentation and the need for an increased City contribution to the Fund. She went on to say that there was no opposition to the changes in the actuarial assumptions. The presentation and documents were discussed.

Attorney Clifford pointed out the Actuarial Standards of Practice (ASOP) 51 risk disclosures that Nyhart had set forth in the final actuarial valuation, noting that she was unfamiliar with some of the disclosures made. She quoted an analysis of risk of benefits to market value of assets from another Article 4 pension fund that under 7% was “good,” 7-12% was “fair,” and that anything above 12% was “poor” in terms of assessing the financial health of the fund. Rockford Firefighters’ Fund is at 12.3% which is in the “poor” range. Ideally, it is desirable for a pension fund to be able to make its benefit payments entirely from returns on its investments, which is not easy where the fund is older and paying out a significant amount of benefits, like Rockford. Attorney Clifford recommended that the Board meet with the actuary again before the next

valuation to discuss and understand the risks that the actuary disclosed under ASOP 51 in this year's final valuation.

Carrie Hagerty indicated that she had had a "good discussion" with Moody's as far as the City's bond rating. Attorney Clifford said she would recommend that the City consider a funding transition plan that may help the City's financial picture improve in the audit in future years.

Carrie Hagerty said that things might improve once the sales tax on cannabis goes into effect and when revenue from the casino is available., particularly if it could be earmarked for funding the pensions. Attorney Clifford commented that East St. Louis is the latest fire and police pension fund that had started the intercept process to get much need dollars for their pension funds.

IX. CLOSED MEETING – None

X. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried, and meeting was adjourned at 4:20 p.m.

Next regular meeting is October 17, 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 October 17, 2019, meeting.