

MINUTES
ROCKFORD POLICE PENSION BOARD
AUGUST 15, 2019

MEMBERS PRESENT: Jeff Nielsen, President
Marcia Mueller, VP
Joe Stevens, Secretary
Randy Berke, Assist. Secretary
Scott Laue, Trustee

ABSENT:

ALSO PRESENT: Eric Gaylord – Marquette Associates
Roberta Holzwarth – HolmstromKennedy PC

GUESTS: Mike Zurek – Nyhart

STAFF: Allison Knox, Finance
Carrie Hagerty, Finance Director
Shurice Hunter, HR Director

The August 15, 2019 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:07 a.m.

Motion by Mueller and seconded by Berke to approve the July 18, 2019 minutes of the Board meeting as amended. APPROVED.

PUBLIC COMMENT

NONE

CASH & INVESTMENTS

Gaylord reminded the board of the upcoming symposium scheduled for October 4. Yesterday was the worst stock market day in 2019 so far. In July, the S & P was up 1.4%, year-to-date up 20.2%. Markets are up over 15% this year, however, the inversion of the yield curve “spooked” the markets. The total fund composite for the month of July was \$199,279,817. There are no cash needs.

For the month of July, the fund was up 0.4% versus 0.2% for the policy index. Gaylord review the investment manager performance for the month of July.

Motion by Mueller and seconded by Stevens to approve purchases and sales. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

CITY BILLS

Motion by Mueller and seconded by Stevens to approve July postage charges of \$101.44. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

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

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for July attorney fees for general matters in the amount of \$832.50. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for the Shalene Eagleson disability application in the amount of \$945.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

Motion by Stevens and seconded by Stevens to approve the payment to HolmstromKennedyPC for Annual Medical Reviews in the amount of \$1,462.50 and disbursements in the amount of \$49.98 for medical records. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve the payment to Segall Bryant & Hamill for investment management fees for the period of April 1, 2019 through June 30, 2019 in the amount of \$16,280.12. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve the payment to Kayne Anderson Rudnick for investment management fees for the period April 1, 2019 through June 30, 2019 in the amount of \$26,621.80. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

Motion by Mueller and seconded by Stevens to approve payment to the IPPFA Mid-American Conference in the amount of \$1,305.00 for the following attendees: Joe Stevens, Scott Laue, and Jeff Nielsen. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue
Nays: None

ATTORNEY'S REPORT

Holzwarth reported that all the annual examinations have been scheduled except for three.

OLD BUSINESS

Knox stated that there are 47 affidavits still outstanding. Reminder letters were sent out last week.

NEW BUSINESS

Motion by Mueller and seconded by Stevens to approve the service pension for Walter Felton effective August 8, 2019 for a monthly benefit of \$7,352.80/\$88,233.60 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Stevens to approve the request for refund application for Robert Brooks in the amount of \$1,633.25. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Stevens to approve the request for refund application for Nathaniel Brass in the amount of \$6,262.10. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Stevens to approve the first increase for Steven Tomasino in the amount of \$582.24 for a total monthly benefit of \$4,463.81/\$53,565.72 annually effective August 1, 2019. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the first increase for Lori Sweeney in the amount of \$799.89 for a total monthly benefit \$6,132.49/\$73,589.88 effective August 1, 2019. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Steven to keep the closed session minutes closed. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

PAYROLL

Motion by Mueller and seconded by Stevens to approve the August estimated payroll in the amount of \$1,576,856.67. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke, and Laue

Nays: None

Report from Nyhart

Mike Zurek was at the meeting to present the actuarial report. Zurek stated there has been a lot of talk about consolidation of the funds, but it seems very unlikely there will be any State consolidation.

Zurek stated that Nyhart provides death audit services and would provide the services free of charge. Holzwarth will send Mike a form to sign protecting the privacy of the information received.

Pages 3 and 4 of the report shows the mortality rate assumption. Historically every five years a study is published stating people are living longer. Last year, Rockford used the RP-2000 Mortality Table with a static improvement scale. For 2019, Nyhart used the same mortality assumption as the Department of Insurance (DOI), which is based on a statewide mortality study for the years 2012 through 2016. The Society of Actuaries released the results of a new study early in 2019 which states people are living longer. The new study provided three distinct mortality tables, public safety table, teacher mortality basis, and a general municipal worker table. The mortality table shows that police and fire are living about three years longer than the Department of Insurance assumptions (IDOI).

Page 5 of the report shows the interest rate assumption. The interest rate assumption was lowered this year from 7.5% to 7.4%. Carrie Hagerty stated that a 7% interest rate assumption is the target within five years. Zurek stated that the IDOI is using a 6.5% interest rate assumption. The IDOI is using a composite plan that has 45% equities, 45% fixed income, and 10% real estate.

Page 6 of the report shows the survey of the interest rates used by large public plans. In 2008, 44% of the large public plans used an interest rate assumption of 8%, now only 5% use 8%. Most plans now are using less than 7.40%.

Page 7 of the report shows the summary of the participant information – there were 13 retirements and 8 people left. The average age of participants went from 39.7 to 38.9 in 2019; the average service went down from 13.7 to 13.0.

Page 8 of the report shows the 2018 change in assets – State statute requires a five-year smoothed asset performance. Through December 31, 2018 the return was -3.9%. The market value is lower than the actuarial value by \$13.7 million. The \$13.7 million deferred loss would be recognized over the next four years.

Page 9 of the report is the Review of 2018 Contribution – If the interest is paid off on the unfunded liability plus the normal costs, the unfunded liability will stay even from one year to the next. The normal cost is the value of benefit accruals that members earn for the additional year of service. The goal is to get the plan closer to the breakeven point faster in order to put less pressure on the fund.

Page 10 of the report is the 2019 Valuation Results – the most left column is the 2018 valuation, the plan was 63.8% funded, based on statutory minimum requirements (based on 90% funded by 2040) of \$8.2 million. Nyhart provided five sets of results for 2019 for review. All the assumptions were the same used from the prior year. For 2019, Nyhart used the IDOI mortality table, which added \$700,000 to the recommended contribution, also by lowering the interest rate from 7.50% to 7.40% there was an additional \$300,000 increase in the recommended contribution. The plan went from 63.8% funded a year ago to 61%. The recommended contribution went from \$8.2 million in 2018 to almost \$9.2 million for 2019.

Page 11 and 12 illustrate the projections for contribution levels, funded status, and unfunded liability giving 90% funded by 2040 (red bar) versus 100% by 2040 funding policy (blue bar), you will see a much quicker improvement in the funded status.

Zurek will be presenting both the police and fire report to the City Council on Monday.

Motion to adjourn was made and seconded at 9:25.