

MINUTES
ROCKFORD POLICE PENSION BOARD
SEPTEMBER 19, 2019

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

ABSENT:

ALSO PRESENT: Mike Piotrowski – Marquette Associates
Roberta Holzwarth – HolmstromKennedy PC

GUESTS: Tulsi May – PIMCO
Will Powers - PIMCO

STAFF: Allison Knox, Finance
Carrie Hagerty, Finance Director

The September 19, 2019 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:21 a.m.

Motion by Mueller and seconded by Laue to approve the August 15, 2019 public hearing minutes for the line of disability pension for Sergeant Shalene Eagleson as amended. APPROVED.

Motion by Mueller and seconded by Laue to table the August 15, 2019 minutes of the Board meeting. APPROVED.

Motion by Mueller and seconded by Laue to approve the September 5, 2019 closed session minutes (Shalene Eagleson hearing). APPROVED.

Motion by Mueller and seconded by Laue to approve the September 5, 2019 closed session minutes related to the Shalene Eagleson disability application denying a line of duty disability pension and approving a service pension. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

PUBLIC COMMENT

NONE

CASH & INVESTMENTS

Piotrowski stated as of the end August the pension fund value was \$196.1 million. The month of August was a challenging month; the total fund composite was -0.5% on a net of fees basis. Year-to-date the fund is up 11%. Global growth is slowing; but is still positive. Yesterday the federal government cut interest rates by 25 basis points. The market is mixed as to when and how many

interest rate cuts will be made. The Gross Domestic Product (GDP) is still growing, but not as strong as it was in the first quarter. The U.S. consumer makes up 70% of the growth of the economy. There are currently no cash needs.

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

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

Nays: None

CITY BILLS

Motion by Mueller and seconded by Berke to approve August postage charges of \$119.34. APPROVED.

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

Nays: None

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

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

Nays: None

Motion by Mueller and seconded by Berke to approve payment to HolmstromKennedyPC for August attorney fees for general matters in the amount of \$1,316.25. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Berke to approve payment to HolmstromKennedyPC for the Shalene Eagleson disability application in the amount of \$3,510.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Laue to approve the payment to HolmstromKennedyPC for Annual Medical Reviews in the amount of \$360.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Laue to approve the payment for the IPPFA Mid-American Conference for Randy Berke in the amount of \$485.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Laue to approve the payment for the IPPFA 2020 Membership dues in the amount of \$795.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Berke to approve payment to the Rockford Pain Center Ltd. for the Christina Whisenand IME in the amount of \$245.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Berke to approve payment to Dr. Alfred Rosche for the Mark Honzel IME in the amount of \$500.00. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Berke to approve payment to Woodlake Medical for the Philip Statler IME in the amount of \$2,391.25. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Berke to approve payment to Woodlake Medical for the Sara Ahrens IME in the amount of \$2,872.50. APPROVED.

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

Nays: None

ATTORNEY'S REPORT

Motion by Mueller and seconded by Laue to approve the September 5, 2019 closed session minutes regarding a pension benefit worker's compensation reconciliation issue as modified. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Berke to keep the listed closed session meeting minutes permanently closed. APPROVED.

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

Nays: None

Attorney Holzwarth recommended discussing the pension benefit Workers Compensation reconciliation for Caitlin Cox. The receipt of Workers Compensation benefits affects the pension benefits that may be paid to Caitlin Cox, the widow of Jaime Cox. The pension code requires a reduction of the pension benefit if there is a Workers Compensation award.

There are two issues: (1) The reduction of Ms. Cox's pension benefit going forward as required by the Pension Code, which Attorney Holzwarth recommended. The reconciliation required by the Pension Code would reduce Ms. Cox's monthly pension benefit by the monthly amount of the Workers Compensation benefits she is receiving. In this case, the monthly pension benefit amount would be reduced by the monthly Workers Compensation benefit amount (\$3,682.51) such that; the new monthly pension benefit would be \$1,412.82. (2) The issue with how the overpayment for prior periods is not yet resolved with Ms. Cox's attorney. The Workers Compensation benefits and pension benefits need to be reconciled from the date Workers Compensation benefits commenced, which is November 6, 2017. We do not have an agreement on how to handle the overpayment. Attorney Holzwarth requested authorization to continue discussions with Attorney Reese to advise him that the pension board is seeking repayment of the full overpayment and report back in October.

The Workers Compensation benefits will stop after \$500,000 is paid or after 25 years, whichever is greater. Attorney Holzwarth stated that the greater amount would be payments over a 25-year period.

Motion by Mueller and seconded by Stevens to reduce the pension benefits paid to Caitlin Cox related to the death of her spouse by the amount of the Workers Compensation benefits she is receiving, \$3,682.51 per month, to a monthly pension benefit of \$1,412.82. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

The board members authorized Attorney Holzwarth to pursue reimbursement of \$78,546.59 that was overpaid to Caitlin Cox.

Motion by Mueller and seconded by Stevens to pursue the collection of the overpaid pension to Caitlin Cox related to the death benefit for Jaime Cox in the amount of \$78,546.59. APPROVED.

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

OLD BUSINESS

Motion by Mueller and seconded by Laue to approve sending the funding letter to the City as proposed by Attorney Holzwarth. APPROVED.

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

Motion by Mueller and seconded by Stevens to approve the addendum as amended for Death Audit Services arrangement. APPROVED.

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

Motion by Mueller and seconded by Stevens to approve withholding the pension check to Ellen Burkett due to failure to return the affidavit as required. APPROVED.

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

NEW BUSINESS

Motion by Mueller and seconded by Stevens to approve the transfer of \$55,417.00 to the Village of Arlington Heights, Illinois per the requested transfer of funds for Officer Benjamin Schuster related to the portability of credible service. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

PAYROLL

Motion by Mueller and seconded by Stevens to approve the September estimated payroll in the amount of \$1,570,755.32. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

PIMCO PRESENTATION

Tulsi May and Will Powers were at the meeting to present information regarding the performance of the Police Pension Funds portfolio with PIMCO. Ms. May stated she had been at PIMCO for a couple months and Mr. Powers stated he had been with PIMCO for a couple years.

Ms. May briefly discussed the PIMCO All Asset Fund and its sub-advisor Research Affiliates, their structure, personnel, policies and investment strategies. Page 6 illustrates the pillars used. The First Pillar is the U.S. equities (red), the Second Pillar is U.S. bond (blue), and the Third Pillar is the "meat" of the strategy (green). The Third Pillar is made up of EM equity, Global credit, Global & EM bonds, Liquid Alternatives, and Inflation related. The PIMCO All Asset fund strategy seeks to provide attractive long-term real returns, inflation protection, diversification away from U.S. equity risk, and moderate average volatility. Research Affiliates manages the allocations in the fund.

The total value of the pension fund's account with PIMCO as of the end of June 2019 is \$9,745,467. PIMCO uses CPI+5% as their benchmark.

Mr. Powers stated that the PIMCO All Asset fund has outperformed the CPI + 5% approximately 80% to 85% of the time. All Asset funds have outperformed conventional portfolios in down equity markets due to their diversification away from equity risk. Year-to-date, as of August 31, 2019 the fund is up 6.46%.

Ms. May stated that most people including PIMCO are forecasting a 30% chance of a recession in 2020.

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