

**CORRECTED MINUTES
ROCKFORD POLICE PENSION BOARD
JUNE 18, 2020**

The meeting was conducted remotely in accordance with Section 7(e) of the Open Meetings Act, 5 ILCS 120/7(e).

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: Drew Baldwin – Dimensional Fund Advisors
Julian Aziz - **Dimensional Fund Advisors**

STAFF: Allison Knox, Finance
Karla Hunter, Finance
Carrie Hagerty, Finance Director

The June 18, 2020 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:02 a.m.

Motion by Mueller and seconded by Stevens to approve the May 21, 2020 minutes of the Board meeting as amended. APPROVED.

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

Nays: None

PUBLIC COMMENT

NONE

CASH & INVESTMENTS

Piotrowski stated the value of the fund as of May 31, 2020 is approximately \$191.9 million. Over the last few days, there has been more volatility in the market. We are slightly overweight in the US stocks and international stocks, with corresponding underweights to fixed income, real estate and global. There is sufficient cash on hand to pay benefits this month. We expect to receive property tax payments starting in June.

The total plan had a positive return of 2.8% net of fees for the month, brings the year-to-date return to -3.4%, both of those numbers are ahead of the benchmark. However, the fund is below the actuarial rate of return for the year. The driver for performance over the month has been the US Equity and Non US Equity stock performance.

Piotrowski reviewed the manager performance for the month of May. Dimensional Fund Advisors continues to underperform. They will be presenting today later in the meeting today. Risk assets continue to perform well.

Motion by Mueller and seconded by Stevens 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 Stevens to approve May postage charges of \$236.90. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve June City Services of \$7,033.33. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve the May bill from HolmstromKennedyPC for general matters in the amount of \$1,676.25. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for the annual medical reviews in the amount of \$564.50 and disbursements in the amount of \$44.86 for a total of \$609.36 related to the Richard Kennedy annual medical review. APPROVED.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve payment to HolmstromKennedyPC for the Matthew Krantz disability application in the amount of \$2,902.50. APPROVED.

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

Nays: None

ATTORNEY'S REPORT

Motion by Mueller and seconded by Stevens to approve the updated policy manual for the Rockford Police Pension fund. APPROVED.

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

Nays: None

Attorney Holzwarth stated that the two remaining evaluations for the Matthew Krantz disability have been scheduled.

The annual medical exams are progressing for the disabled pensioner examinations.

OLD BUSINESS

Motion by Mueller and seconded by Stevens to approve the surviving spouse pension application for Linda J. Mays effective May 5, 2020 in the amount of \$9,570.30 monthly and an initial benefit of \$8,026.70. 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 surviving spouse pension application for Patricia Fry effective May 8, 2020 in the amount of \$4,502.82 monthly and an initial benefit of \$3,340.80. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

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

Nays: None

Attorney Holzwarth suggested moving up to start the process in April for fiduciary liability insurance.

Motion by Mueller and seconded by Stevens to approve the Fiduciary Liability Policy. APPROVED.

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

Nays: None

Nielsen requested the number of annual affidavits that have been mailed back to the city. Knox responded that 173 out of 320 have been received.

NEW BUSINESS

Motion by Mueller and seconded by Stevens to approve the refund application for Austin Reid in the amount of \$1,721.36. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

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

Nays: None

Motion by Mueller and seconded by Stevens to approve retro pay for Kristin McLester for a total amount of \$18,137.02, including interest in the amount of \$765.19 and retro pay of \$17,371.83 **due to an underpayment**. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

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

Nays: None

PAYROLL

Motion by Mueller and seconded by Stevens to approve the June estimated payroll in the amount of \$1,692,123.36. 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 May actual payroll in the amount of \$1,665,332.20. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke and Laue

Nays: None

Knox reported she received a response from CHUBB regarding the premium increase for the police pension board members stating that it was due to increasing costs and after COVID-19 carriers have been even more restricted facing large losses.

Motion by Mueller and seconded by Stevens to approve renewal of **fiduciary** liability coverage **through** CHUBB Insurance for the coverage ending June 30, 2021 with an annual payment of \$26,545.00.

APPROVED.

Ayes: Nielsen, Mueller, Stevens, Berke and Laue

Nays: None

Dimensional Fund Advisors

Drew Baldwin and Julian Aziz were in attendance for the remote meeting to present information regarding the performance of the City's portfolio with Dimensional Fund Advisors.

Mr. Baldwin stated that at the end of the first quarter Dimensional Fund Advisors has \$454 billion in global assets under management, and one investment philosophy. Mr. Baldwin reviewed the Evaluating Dimensional Across Strategies slide provided on the screen. Mr. Aziz stated our research team designs our strategies around the following long-term drivers of return, Company Size, Relative Price, and Profitability. The portfolio management team is considering the shorter-term drivers of the return to further enhance returns over and above what we receive from the long-term drivers that makeup the design. Lastly, the trading team considers trading costs and trading at the most stable prices. Page 14 illustrates the Historical Observations of the 10-Year Premiums. Out performance is noted more so in the long range performance.

Mr. Aziz stated this is a low cost, low turnover, and a very diverse portfolio that delivers consistent exposure to the small and value premium within the developed international markets. Mr. Aziz referred the board to page 26 of the presentation. All returns for the international small cap value portfolio are net of fees. The portfolio has underperformed the benchmark over the year-to-date and one-year period; the portfolio is deeper in value than both the benchmarks. We expect this portfolio to outperform in the future. Data through June 16 shows this portfolio is outperforming the small value index by 130 basis points. Most importantly how the premiums behave, they respond very quickly, remaining consistently exposed is important.

The board discussed the performance of Dimensional Fund Advisors. **This discussion took place after the representatives were excused.** Piotrowski stated that over the last three years their performance is significantly affecting the longer-term annualized performance in the Marquette Associates report. Piotrowski recommended staying with DFA for right now. Nielsen recommended looking at other managers to replace DFA.

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