

CORRECTED MINUTES ROCKFORD POLICE PENSION BOARD JULY 16, 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
Randy Berke, Assist. Secretary
Scott Laue, Trustee

ABSENT: Joe Stevens

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

GUESTS: Bridget Lechtenberg – Principal Property Fund
Richard Pentz – Principal Property Fund

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

The July 16, 2020 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 Stevens to approve the June 18, 2020 minutes of the Board meeting as amended. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

PUBLIC COMMENT

NONE

CASH & INVESTMENTS

Piotrowski stated the value of the fund as of June 30, 2020 is approximately \$196.6 million. We received the first significant property tax receipts in June. The pension fund had a return of 1.4% for the month of June, for the quarter 10.4%, and the year-to-date is -2.1%. The market has reacted positively to the vaccine progression. Piotrowski stated U.S. Equity was up 70 basis points and international stocks were up 5.3% for the month of June. The total fund has done very well this year, but we have a lot of ground to make up.

We have talked in length about the underperformance of Diversified Fund Advisors (DFA). Piotrowski provided a brief overview of the candidates to replace DFA. Growth has outperformed value by 30% this year. Piotrowski recommended staying with DFA or move to a more passive and

neutral positioning. The current fee for **the DFA** product is 64 basis points. After discussion, the board members agreed to stay with DFA.

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

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

CITY BILLS

Motion by Mueller and seconded by Berke to approve June postage charges of \$93.00. APPROVED.

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

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

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

Motion by Mueller and seconded by Berke to approve the June bill from HolmstromKennedyPC for general matters in the amount of \$2,463.75. APPROVED.

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

Motion by Mueller and seconded by Berke to approve payment to HolmstromKennedyPC for the Matthew Krantz disability application in the amount of \$1,340.00. APPROVED.

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

Motion by Mueller and seconded by Berke to approve payment to HolmstromKennedyPC for the annual medical reviews in the amount of \$107.00 for professional services and disbursements in the amount of \$169.51 for a total of \$276.51 related to the annual medical review matter. APPROVED.

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

Motion by Mueller and seconded by Laue to approve payment to Marquette Associates for investment consulting services in the amount of \$20,618.50 for the period July 1, 2020 through September 30, 2020. APPROVED.

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

Motion by Mueller and seconded by Berke to approve payment to Northern Trust for management fees in the amount of \$6,196.20 for the period April 1, 2020 through June 30, 2020. APPROVED.

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

Motion by Mueller and seconded by Berke to approve payment to Segall Bryant Hamill for investment consulting services in the amount of \$16,338.74 for the period January 1, 2020 through March 31, 2020. APPROVED.

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

ATTORNEY'S REPORT

Attorney Holzwarth reviewed additional changes to the policy manual with the board regarding calculation errors of benefit payments. Knox reviewed the procedure for calculating benefit payments with the board. Attorney Holzwarth recommended the changes be made to the policy manual section 5.5.

Motion by Mueller and seconded by Berke to approve the updated policy manual as attached to the attorneys report for the Rockford Police Pension fund. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

OLD BUSINESS

Motion by Mueller and seconded by Berke to amend the action taken at the June 18, 2020 meeting amending the interest rate calculation from \$765.19 to \$130.87 for a total distribution of \$17,502.70 to correct retro pay for Kristin McLester. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Attorney Holzwarth stated the examinations have been completed for Matthew Krantz, but the physician reports have not yet been received from Dr. Robbins nor Dr. Harris. The available hearing dates are expected to be in September or October. The decision whether to hold the meetings remotely or in person will need to be made. The hearing date was tentatively set for October 20.

The annual exams are proceeding. Attorney Holzwarth stated after discussion with the fire pension board it is recommended that the board go out for "request for proposals" for fiduciary liability insurance for both the police and fire pension boards.

Hunter reported that 251 affidavits have been returned out of 320 (69 remaining).

Motion by Mueller and seconded by Berke to accept the Department of Insurance (DOI) annual statement. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

The City audit has been completed and will be presented by Mike from Nyhart at the September meeting.

NEW BUSINESS

Motion by Mueller and seconded by Berke to approve the refund application for Vincent Rhine in the amount of \$3,943.79. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the termination of surviving spouse pension for Gail Hodge due to her death on June 18, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the pension termination for Stephen Johnson due to his death on June 25, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the surviving spouse application for Shirley Johnson in the amount of \$5,642.25 monthly/\$67,707.00 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the pension termination for Lieutenant T. Davis due to his death on June 15, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the surviving spouse application for Patricia Davis effective June 15, 2020 in the amount of \$3,628.37 monthly/\$43,544.00 annually, and the initial monthly amount of \$1,814.00.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the pension application for Darin Spades effective July 28, 2020 for a prorated amount of \$599.54 and an initial amount of \$4,646.46 monthly/\$55,757.52 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the first pension increase for Ronald Perrine effective July 1, 2020 in the amount of \$671.31 for a monthly amount of \$5,146.71 and \$61,760.52 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke, and Laue

Nays: None

PAYROLL

Motion by Mueller and seconded by Berke to approve the July estimated payroll in the amount of \$1,692,881.50. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke and Laue

Nays: None

Motion by Mueller and seconded by Berke to approve the June actual payroll in the amount of \$1,673,946.96. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Berke and Laue

Nays: None

PRINCIPAL PROPERTY FUND

Bridget Lechtenberg and Rich Pentz were in attendance for the remote meeting to present information regarding the performance of the City's portfolio with Principal Property Fund.

Mr. Pentz stated Principal Real Estate is a top 10 global real estate manager with assets over \$78.6 billion under management. Ms. Lechtenberg stated the U.S. Property Account is a "core" account investing in real estate. Ms. Lechtenberg reviewed the Principal U.S. Property Account Portfolio Management team. The account profile provided on page seven of the handout illustrates the March 31 numbers, but those will be updated throughout the presentation. The investment strategy continues to be investment in high quality properties with the long-term landlord pricing power. One of the areas with reduced risk is within the non-core allocation. They have received several requests for rent relief and are working individually with the tenants to maintain occupancy. Rent collections deteriorated in April, but improved in May and June. We have been underweight to retail deliberately since 2015. Ms. Lechtenberg reviewed the office, retail, multifamily, and industrial portion of the portfolio. Page 18 of the presentation illustrates historical NOI growth over the past seven years. There are potential concerns for reduced rent collections and outstanding rent deferrals that are currently being negotiated.

Piotrowski requested the cash level Principal currently has. Ms. Lechtenberg stated the cash level is slightly over 2% as of June 30, 2020. The group discussed Principal Property Fund's withdrawal limitations.

Motion to adjourn was made and seconded at 10:40 a.m.