

**CORRECTED MINUTES
ROCKFORD POLICE PENSION BOARD
AUGUST 20, 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
Joe Stevens, Secretary
Randy Berke, Assist. Secretary
Scott Laue, Trustee

ABSENT: Marcia Mueller

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

GUESTS: Mike Zurek - Nyhart

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

The August 20, 2020 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:11 a.m.

Motion by Berke and seconded by Laue to approve the July 16, 2020 minutes of the Board meeting as amended. APPROVED.

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

PUBLIC COMMENT

NONE

CASH & INVESTMENTS

Piotrowski stated the value of the fund as of July 31, 2020 is approximately \$201.9 million. The portfolio is slightly overweight in U.S. and non-U.S. stocks and slightly underweight in real estate. Right now, property tax receipts could be used to pay benefits, later in the year we will need to sell investments to pay for benefits. Year-to-date, the fund has had a positive 0.9% return net of fees. U.S. **Value** stocks have underperformed year-to-date. The market has reacted positively to the vaccine progression.

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

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

Report from Nyhart

Mike Zurek was at the meeting to present the actuarial report. Mr. Zurek briefly discussed the Public Act 101-0610 signed by Governor Pritzker on December 18, 2019.

- The Public Act consolidates Police and Firefighter's Pension Fund assets
- Tier II Benefit Increases
 - Reduction in final salary averaging period, increases in pay cap indexing, and enhanced spousal benefits.
 - Effective January 1, 2020
- Local boards retain authority over disability, retirement, and survivor benefits.

Many operational details are still to be determined.

Pages 3 and 4 shows the mortality rate assumption. For 2020, Nyhart used the same assumption rate as the Department of Insurance (DOI). The 2020 Rockford basis is the IDOI basis with more recent mortality improvement scale MP-2019 applied generationally from 2013. The PUB 2010 study provided three distinct mortality tables, public safety table, teacher mortality basis, and a general municipal worker table.

Page 5 of the report shows the interest rate of assumption. The interest rate assumption was lowered this year from 7.4% to 7.3% with future reductions anticipated. Zurek stated he anticipates that once the funds have been consolidated, the City would lose control over the interest rate assumptions.

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 2% 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 8 retirements, one retiree died and 8 people left. The average age of participants remained the same 38.9 the average service went down from 13.7 to 12.9.

Page 8 of the report shows the 2019 change in assets. State statute requires a five-year smoothed asset performance. The fund returned 16.5% on market value. At the beginning of 2019, the fund had a \$13 million dollar deferred loss. Through December 31, 2019, the fund had a \$4.5 million deferred gain. The market value is greater than the actuarial value by \$4.5 million.

Page 9 of the report is the Review of 2019 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. The actual contribution in 2019 was \$11 million, which is still short of the breakeven point.

Page 10 of the report is the 2020 Valuation Results – the most left column is the 2019 valuation, for reference. Last year, the Department of Insurance (DOI) requested Actual Spouse Data for the retired and disabled members that are in payment status. Including the spouse data increased the percentage funded from 60.8% to 60.9% funded. There are two components of the Mortality Assumption, there is a base table that uses actual observed mortality experience to develop probabilities of death at every age, along with that there is an improvement scale. This showed the mortality improvements were not as high as anticipated in 2019. The change in the Tier II benefit raised the contribution by approximately \$200,000. The change in the interest rate assumption 7.4%

to 7.3% raised the contribution rate by \$300,000. A year ago, the recommended contribution was \$9.2 million, this year the recommended contribution was \$9.9 million.

Pages 11,12, and 13 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.

CITY BILLS

Motion by Stevens and seconded by Berke to approve July postage charges of \$84.18. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

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

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by Stevens and seconded by Berke to approve the July bill from HolmstromKennedyPC for general matters in the amount of \$2,565.00. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by Stevens and seconded by Berke to approve payment to HolmstromKennedyPC for the annual medical reviews in the amount of \$368.50. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by Stevens and seconded by Berke to approve payment to HolmstromKennedyPC for the Matthew Krantz disability application in the amount of \$1,097.50. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by Stevens and seconded by Berke to approve payment to Segall Bryant & Hamill for management fees in the amount of \$15,989.73 for the period April 1, 2020 through June 30, 2020. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

The amount reflected as being outstanding on the bill has been paid.

Motion by Stevens and seconded by Berke to approve payment to Dr. Richard P. Harris M.D, for the Matthew Krantz IME in the amount of \$2,720.00. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by **Stevens** and seconded by Berke to approve payment to Dr. Kenneth I. Robbins, M.D. for the Matthew Krantz IME in the amount of \$3,000.00. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

ATTORNEY'S REPORT

Attorney Holzwarth stated the disability hearing for Matthew Krantz is scheduled for October 20 at 9:30 a.m. We have received all three reports from the doctors and the reports are consistent.

Attorney Holzwarth reported that the annual examinations are moving along and going smoothly. Attorney Holzwarth stated she would be revising the levy letter to City Council.

A subpoena was received for records relating to Angela Sorenson's application for a disability pension and exam records after she was awarded the disability pension. This is a worker's compensation matter.

Hunter and Melton sent out the request from the consolidated fund for information on the fund's participants and beneficiaries, which would enable them to send ballots to all of the people to vote in upcoming elections. The statute requires the pension board to cooperate with the consolidated fund board. The consolidated fund board has been contacted to confirm their contract with Foster & Foster complies with the Illinois Personal Information Protection Act.

Attorney Holzwarth recommended sending a letter to the pension fund participants that they will be receiving ballots to vote for trustees in upcoming elections.

OLD BUSINESS

Hunter reported that 12 affidavits are still outstanding. She will forward the list to the board.

NEW BUSINESS

Motion by Stevens and seconded by Berke to approve the refund application for James Bolin in the amount of \$11,827.15. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by Stevens and seconded by Berke to approve the termination of surviving spouse pension for Bertha Louise Fegan due to her death on August 8, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

Motion by Stevens and seconded by Berke to approve the service application for Juan Tapia effective August 13, 2020 for an initial prorated amount of \$2,310.65, monthly amount of \$3,979.45/ \$47,753.37 annually. Approval is contingent upon Juan Tapia changing the retirement date to August 13, 2020 on his service application and certification from Human Resources. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

PAYROLL

Motion by Stevens and seconded by Berke to approve the August estimated payroll in the amount of \$1,684,750.90. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, Berke and Laue

Nays: None

Motion to adjourn was made and seconded at 10:02 a.m.