

MINUTES
ROCKFORD POLICE PENSION BOARD
SEPTEMBER 17, 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: Daniela Bally - Kayne Anderson Rudnick
Jon Christensen – Kayne Anderson Rudnick

STAFF: Karla Hunter, Finance
Carrie Hagerty, Finance Director

The September 17, 2020 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order 8:01 a.m.

Motion by Stevens and seconded by Berke to lay over the August 20, 2020 minutes of the Board meeting. APPROVED.

Ayes: Nielsen, Stevens, Berke, and Laue

Nays: None

PUBLIC COMMENT

NONE

CASH & INVESTMENTS

Piotrowski presented the August Marquette flash report. For the month of August, the market reacted positively to vaccine development as well as a continued recovery in the economic data. The value of the fund as of August 31, 2020 is approximately \$206 million. The portfolio is slightly overweight in U.S. and non-U.S. stocks. Right now, property tax receipts could be used to pay benefits, starting next month we will need to sell investments to pay for benefits. Year-to-date, the fund was up 2.4% net of fees, however, trails the policy benchmark by 20 basis points. The year-to-date return is 3.3%. Piotrowski briefly discussed the manager performance.

Laue left the meeting.

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

Ayes: Nielsen, Stevens, and Berke

Nays: None

CITY BILLS

Motion by Stevens and seconded by Berke to approve August postage charges of \$85.38. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

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

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the August bill from HolmstromKennedyPC for general matters in the amount of \$2,002.50. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve payment to HolmstromKennedyPC for the annual medical reviews in the amount of \$1,769.50 for services and disbursements in the amount of \$66.04 for a total of \$1,835.54. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve payment to HolmstromKennedyPC for the Matthew Krantz disability application in the amount of \$1,282.50. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve payment to Kayne Anderson Rudnick for management fees in the amount of \$24,771.16 for the period April 1, 2020 through June 30, 2020. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

ATTORNEY'S REPORT

Motion by Stevens and seconded by Berke to accept the second letter to City Council regarding the funding of the pension. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Attorney Holzwarth stated the Matthew Krantz disability hearing is scheduled for October 20 at 9:30 a.m. by ZOOM.

The consolidated fund trustee elections will take place this fall. The names of the nominees have been released. Attorney Holzwarth stated that she has not heard anything regarding the hiring of investment advisors, but anticipates that will happen later in the process.

The annual examinations are proceeding. We have received one subpoena and we may receive another one regarding the Angela Sorensen disability matter from 2004.

OLD BUSINESS

Hunter reported that all of the affidavits had been received.

NEW BUSINESS

Motion by Stevens and seconded by Berke to approve the first increase for Walter Felton in the amount of \$220.58 for a total of \$7,573.38 monthly/\$90,880.56 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the termination of pension for Wayne Hoffman due to his death on August 21, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the termination of pension for Benny Dickison due to his death on August 23, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the surviving spouse application for Wilma Dickison in the amount of \$6,392.57. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the termination of pension for William Smith due to his death on September 9, 2020. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to accept the refund application for Robert McNeely in the amount of \$2,446.97. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the service application for Curtis Sockwell effective September 10, 2020 for a prorated monthly benefit of \$3,144.45 and a monthly benefit of \$4,492.07/\$53,904.81 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

PAYROLL

Motion by Stevens and seconded by Berke to approve the August actual payroll in the amount of \$1,681,988.52. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

Motion by Stevens and seconded by Berke to approve the September estimated payroll in the amount of \$1,673,742.37. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Stevens, and Berke

Nays: None

KAYNE ANDERSON RUDNICK

Daniela Bally and Jon Christensen were in attendance for the remote meeting to present information regarding the performance of the City's portfolio with Kayne Anderson Rudnick.

Laue rejoined the meeting. (not sure what time).

Mr. Christensen briefly reviewed the Firm Overview, Disciplined Investment Approach, and Tenets of Quality with the board.

Page 7 of the report is the Summary of Key Differentiators. This illustrates the Classic Approach and the Kayne Anderson Rudnick Approach. The Classic Approach portfolio has 75 to 100 businesses whereas the KAR Approach has approximately 30 businesses, which results in lower business risk, minimal balance sheet risk, and minimal profit risk.

Page 9 of the report. The Russell 2000 was up 25% in the second quarter, which was the best one-quarter performance of the Russell 2000 since 1991. Looking at the overall quarter, the second quarter was an extremely high, low quality quarter.

There are so many unknowns right now it is hard to speculate where the economy will be the remainder of the year. The sectors that were hit hard were the sectors that have high discretionary exposure, such as restaurants, cruise industry, and casinos.

Page 15 of the report shows the purchases. Mr. Christensen stated that Kayne Anderson Rudnick purchased two companies; Acushnet Holdings is a performance focused golf products company, EMCOR Group, is a company that engages in the provision of electrical and mechanical construction and facilities services, and increased the position in RLI.

Mr. Christensen reviewed the Portfolio Characteristics. The main objective of Kayne Anderson Rudnick is to invest in high quality businesses outgrowing their markets at reasonable valuations.

Motion to adjourn was made and seconded at 9:29 a.m.