

IV. DISBURSEMENTS

The warrant for November 19, 2020, was presented in the amount of \$1,794,197.73. Michael White made a motion, seconded by Carrie Hagerty, to approve the payment of the warrant in the amount of \$1,794,197.73. A roll call vote was taken:

Ayes: Alan Granite Michael White Carrie Hagerty
 Bill Beaman
 Todd Monahan
Absent: None
Nays: None

V. CASH & INVESTMENTS

Carrie Nichols presented the Fiduciary Management (FMI) Report for October 30, 2020.

- “It has been an interesting year.” The market is at all-time highs with a record correction.
- Fiduciary has served the Rockford Firefighters’ Pension Fund for 12 years now. Not much has changed overall in the market but the spread between value and growth is the largest ever. The S&P is at an all-time high. If you had purchased a losing company in 2019, it would be up 65% if you bought it this year.
- Fiduciary bought 12 companies; sold 7 and turned 15. Health care and tech stocks are the ones to own. They feel they are well positioned currently and commented that they “eat their own cooking.” They are a value-oriented investment firm that emphasizes quality at a discount. They have not changed their investment philosophy in 40 years.
- Through November 16, all the stocks are up 17% which is most probably related to the vaccine, the portfolio value has increased by \$17 million since inception.
- Nichols discussed what hurt and helped the performance of the portfolio which is outlined on page 7. She commented that retail is challenged but the construction industry is strong. Fiduciary added two dental businesses in March which are cash-generating businesses.
- In general, Fiduciary believes that there is a huge disconnect between growth and value but small caps and value are catching up. They see value names as a lot more attractive. However, all stocks are expensive and inflation remains high. They see growth as anemic, profits flat and companies taking on a lot of debt. Out of 690 companies, 519 lost money, but they do see “brighter times ahead.” Questioned about the amount of cash they are holding, she indicated they view the portfolio as fully invested.
- Mike Piotrowski commented that Fiduciary “did keep up” even though valuations are stressed and bond yields are at an all-time low. Nichols said she does not think the low interest rates will continue. Many companies may go bankrupt, and then banks will raise their lending rates.

Mike Piotrowski presented Marquette Associates’ Flash Report for October 31, 2020:

- Mike began by saying that much has changed since October. The Fund stands at \$160.8 million and the portfolio is doing well.
- Principal paid out on redemptions in the amount of \$680,000 and he recommends putting that amount toward cash.

- The YTD return is flat but bonds are in positive territory. However, there was not much return anywhere.
- Individual manager’s performance: Hillswick did well but Segal did not. Two out of the three international fund managers are doing well.
- Overall, the market reacted favorably to the election and the news about vaccines. There may be a tough time now but he thinks next year will bring more certainty and stability. Stocks will do well next year. Things are definitely challenging and changed dramatically in November. The Fund is getting close to its assumed rate of return.
- There is still cash on hand so there are no cash needs.

Mike Piotrowski presented the data on the search Marquette performed for a possible replacement for DFA, a value-oriented international fund:

- Piotrowski began by saying that there are fewer than 100 names in this sector and the P/E numbers rise as they get more expensive so one sees growth at a higher cost.
- He commented that he does see “signs of life” in DFA but they are more a core manager. Of the funds they looked at, he feels Harding is the best fit or an index. JPM and Blair are growth and although strong historically doing the most capture on the upside, their fees are high – it is an expensive asset class. DFA is the cheapest.
- A concern is that beginning July 1, the Fund’s assets will begin moving to the consolidated fund, and it may not be prudent to move to a new manager. Piotrowski recommends staying with DFA or going to the Vanguard index.
- The Board members agreed that moving funds with consolidation pending was probably not a good idea. The Board “has waited a long time “ for DFA’s performance to improve but moving out while they are “on the upswing” may not be wise. Piotrowski indicated that there is a lot of momentum in the deep value space and perhaps a wait and see attitude is best. Give DFA another month and see how things go and perhaps at the beginning of the years consider moving to Vanguard. It would be an easy move as there is already an account with Vanguard.

When Mike Piotrowski was asked about Marquette becoming an advisor to the consolidation board, he said he doubted there would be any decision before the election. There are four firms, including Marquette, that responded to the RFP; only one in Illinois and the other three from the East and West coasts.

Records of purchases and sales were copied to Board members. Todd Monahan made a motion, seconded by Bill Beaman, to approve the purchases and sales for the month. A roll call vote was taken:

Ayes: Alan Granite Michael White Carrie Hagerty
 Bill Beaman
 Todd Monahan
Absent: None
Nays: None

VI. OLD BUSINESS

Status of Lingel’s transfer of creditable service to Chicago – Nothing further has been heard in this matter.

Board Rules & Forms – Attorney Clifford suggested that the Board could approve the updated Board Rules and Forms as presented and then just make changes as needed in 2021. They could be easily updated.

Michael White made a Resolution 2020-4, seconded by Todd Monahan to approve the Rules as presented.

Ayes: Alan Granite Michael White Carrie Hagerty
Bill Beaman
Todd Monahan
Absent: None
Nays: None

Attorney Clifford commented further that the forms are easily fillable and she would send over the forms before next year.

Annuity Contract Review – Attorney Clifford will draft a letter and email it for the Board’s review concerning the handling of issue. She suggested it be sent out under Mike Weinstein’s signature. The matter will then be continued until December.

King disability matter –Attorney Clifford indicated that she had encourage Jason King to obtain an outside counsel because of the multiple disabilities. King indicted that he did consult an attorney but he would like to continue without counsel.

Attorney Clifford said it was going to be difficult to recommend IMEs but she suggested two occupational physicians: Dr. Williamson-Link and Dr. Michael Peters, who is Dr. Samo’s understudy. On the orthopedic side, she said somebody who was well rounded (could look at neck, shoulder and knees) was needed and she suggested Dr. Hutchinson. Currently she is still waiting on one set of records. She also said that this type of exam was not well suited for a video exam and suggested that the Board not proceed unless King can be examined in person. She asked if the Board wanted to wait one more month before appointing physicians but Carrie Hagerty made a motion, seconded by Todd Monahan, to appoint the recommended physicians. A roll call vote was taken:

Ayes: Alan Granite Michael White Carrie Hagerty
Bill Beaman
Todd Monahan
Absent: None
Nays: None

VII. NEW BUSINESS

Report to City Council – Karla Hunter presented the annual municipal compliance report to City Council in the new format. This report goes to the City Council before they adopt the tax levy for the year. It gives the status of the Fund at the end of the last fiscal year. Carrie Hagerty advised the Board that this is similar to the report prepared for City Council. Police approved its tax levy letter with the municipal compliance report in its new format but City Council has already approved the tax levy and levied what was in the last actuarial report. Carrie Hagerty made a motion, seconded by Bill Beaman, to adopt the updated municipal compliance report as presented. A roll call vote was taken:

Ayes: Alan Granite Michael White Carrie Hagerty
Bill Beaman
Todd Monahan
Absent: None
Nays: None

Fiduciary Liability Policy – Attorney Clifford recommended looking at the policy in the New Year and working together with the police on an RFP. The coverage may change with consolidation.

VIII. TRAINING

Legal Updates:

The Chanthaphone disability matter – a draft of the Findings and Decision that has been provided to the Board in draft for review will be presented and approved next month.

The Gustafson disability matter – Gustafson has moved so the Findings and Decision have been sent back. Attorney Clifford is working with his attorney to get a new address for him.

QILDRO Matters– It was explained that a QILDRO cannot be attached to a disability pension.

There is a second webinar for two hours of consolidation training that has been provided by the Illinois Firefighters Pension Investment Fund (IFPIF) which is needed to complete the four hours required. Deadline for completing consolidation training is unclear from the statute, but it is recommended that trustees finish it before the end of the year. One can sign up for their newsletter at IFPIF’s website.

Bill Beaman received a ballot for the retired trustee position on the IFPIF permanent board but a few of the retirees were surprised by its receipt. There is no contest for the active trustee seats. Municipal positions are contested. According to Attorney Clifford, the police consolidated board is a lot farther behind in consolidation. However, there are 20 pension funds that have signed on to a potential lawsuit to stop consolidation,

Michael White advised the Board that he holds his securities licenses as a fiduciary and cannot vote on or give guidance on investment matters. He will have to abstain for the next six to seven months.

IX. ADJOURNMENT

Michael White made a motion to adjourn the meeting, seconded by Carrie Hagerty. Motion carried and meeting was adjourned at 4:35 p.m.

Next regular meeting is December 17, 2020, at 3:00 p.m.

Respectfully submitted:

Prepared by:

Bill Beaman, Board Secretary

Judith Yehling, Recording Secretary

Date

Date

Approved by the Board of Trustees at its December 17, 2020, meeting.