

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
April 15, 2021

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, April 15, 2021, at 3:00 p.m. via video and teleconference, Rockford, Illinois, pursuant to notice.

CALL TO ORDER

The meeting was called to order at 3:00 p.m. Upon a call of the roll, the following answered:

PRESENT VIA TELECONFERENCE in accordance with Section 7(e) of the Open Meetings Act (5 ILCS 120/7(e)), recently amended by Public Act 101-0640 (Government Emergency Administration Act) as the result of the State's disaster declaration regarding the COVID-19 pandemic and the Board President's determination that an in-person meeting is not practical or prudent:

Alan Granite, President

Bill Beaman, Board Secretary

Carrie Hagerty, Trustee/City Finance Director

Todd Monahan, Trustee

Michael White, Trustee, Trustee

GUESTS: Attorneys Carolyn Clifford & Mike Weinstein, Ottosen DiNolfo
Mike Piotrowski, Marquette Associates
Robert Deere, Tanner Button, DFA

STAFF: Karla Hunter, Accountant

I. PUBLIC COMMENT – None

II. MINUTES

The minutes of the regular March 18, 2021, meeting were presented. Bill Beaman made a motion to approve the minutes and Carrie Hagerty seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Carrie Hagerty
Bill Beaman Todd Monahan
Michael White

Nays: None

Absent: None

The minutes of the King Disability Hearing March 17, 2021, meeting were presented. Bill Beaman made a motion, seconded by Carrie Hagerty. A roll call vote was taken:

Ayes: Alan Granite Carrie Hagerty
Bill Beaman Todd Monahan
Michael White

Nays: None

Absent:

The closed minutes of the King Disability Hearing March 17, 2021, meeting were presented. A motion was made by Bill Beaman, seconded by Carrie Hagerty. A roll call vote was taken:

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

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

Fred C. Hawn had left service on a line-of-duty disability with more than 20 years of service. He has submitted an application for conversion and has requested a review of whether conversion to a retirement benefit was in his best interest when considering the tax consequences and applicable salary. Upon a review of the calculation of a conversion to a retirement benefit, his annual benefit will be based on the current salary of the position that he held upon leaving employment with the City and thus, in his best interest to convert. His new monthly rate under a retirement benefit is \$4,714.38 per month (\$56,572.56 annually), of which \$75.66 is going to be non-taxable until he recovers \$15,887.76 of which he was taxed in error. A motion was made by Bill Beaman, seconded by Todd Monahan, to approve the retirement benefit, converted from a line-of-duty disability benefit, for Fred C. Hawn.

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

IV. DISBURSEMENTS

The warrant for April 15, 2021, was presented in the amount of \$1,821,103.03. A motion was made by Alan Granite, seconded by Michael, to approve the disbursement warrant. A roll call vote was taken:

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

V. CASH & INVESTMENTS

Representatives Robert Deere and Tanner Button presented an annual review for DFA.

- DFA is celebrating its 40th anniversary. The firm's AUM as of 3/31/2021 is \$637B across their global equity fixed income. They are at \$23.5B in Emerging Market Value Strategy funds.
- DFA has an all cap strategy. By value, they buy low-priced stocks compared to primarily book value.
- There has been a drastic turn around since last November in the emerging markets.
- MSCI determines who is emerging and who is not. They have identified 23 countries to be emerging.
- The index is dominated by four Asian countries: China, Korea, Taiwan, and India.

- What took place in November to cause the changes? The change in power during the election and we were also introduced to two vaccines that changed the market sense.
- Certain industries in value index were affected by the pandemic. The vaccines were a signal to the market that it could be the beginning of the end of this tragic time.
- In the first quarter, small stocks did better than large stocks. Value stocks outperformed growth stocks. High profitability stocks outperformed low profitability stocks.
- One year market environment show small caps outperformed large caps. Value stocks outperformed growth stocks.
- FANG stocks were resilient during the stay at home orders until around November because they could be accessed from home. Some of these stocks include Apple, Netflix, Google, Amazon, and Facebook. However, there was a reversal of fortunes. Then President Trump signed an executive order that we couldn't be invested in certain Chinese defense companies.
- Value had been out of favor for about three years before November so the three year numbers don't look as good.
- In closing, there was a mutual fund fee reduction of 5 basis points.

Mike Piotrowski presented Marquette Associates' Flash Report for March 31, 2021:

- The Fund is showing a solid return for the portfolio.
- The total value of the Fund as of March 31, 2021 is approximately \$176.6M.
- The portfolio is allocated relative to its policy targets.
- Strategically, the over and under weights remain similar to where it has been over the last couple of months. This is a byproduct of the strong market appreciation since the end of last year.
- As a reminder, we did rebalance the Fund at the end of fiscal year December 31, 2020 to be in compliance with state statutes.
- Next month we will have to sell some of the assets in order to cover benefit payments until property tax receipts start coming in.
- March is a continuation of February.
- The total Fund saw a return of 1.8% for the month; 3.1% for the quarter; and even more importantly 31.0% over a span of a year.
- Longer term performances is also positive 8.6% over 5 years and 7.4% over 10 years.
- Very strong absolute returns and very strong relative performance over policy benchmark and assumed rate of return.
- Taking a look at the one-year column, broad US markets are up over 60% and broad international is up around 50%.
- On the short term, things continue to be challenging in the fixed income environment. We have seen rising bond yield this year. As the bond yield rise, bond prices fall and you see a negative return on bonds this quarter. Expectations are that bonds returns will be muted going forward.
- US equity value and small caps performance has come back into favor.
- On the other hand, this has hindered performance in Non-US equity. Composite international is only at 9%; Real Estate is at 1.5% and global is up 1.8%.
- Small value is back in favor. Vanguard is up 6.5% compared to S&P 500 4.4%; also compared to Russell 1000 at 5.9%.
- Russell 2000 value 97.1%.
- Balanced approach and some of the headwinds have reversed. Believe that stock will do quite well and optimistic that the strong performance will continue throughout the year.

For this month, there is still sufficient cash on hand so there are no cash needs.

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

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

VI. FPIF UPDATES

Rule 2021-01 has been adopted by the Firefighters' Pension Investment Fund (FPIF) which requires each Article 4 fund appoint two point people for communication between the funds and the consolidation fund. The rule states that the board president or secretary of the board will serve by default as the authorized agents. However, the Board can designate whoever it wishes to serve as the authorized agents. The FPIF Board has also issued a draft rule for the transfer of the benefits and a cash management policy in order to establish best practices for asset transition. It also establishes the transfer of funds to the consolidated fund and how to request funds to meet pension payments and other bills.

The consolidation fund has selected Northern Trust as custodian, as well as five firms to serve as transition manager. They have an RFP out for index fund managers.

As far as the pending litigation, *Arlington Heights PPF v. Pritzker*, the plaintiffs are still trying to serve one of the defendants in the litigation. Once this takes place, it is likely that the defendants will ask for a 30-day extension before filing an answer, which is likely to also include a motion to dismiss. Right now there are 16 police funds and 2 fire funds as plaintiffs.

It was suggested that we table the resolution for appointment of authorized agents and put on the agenda at a later time.

VII. OLD BUSINESS

Jason King disability matter – Attorney Clifford presented the draft Findings and Decision for the Jason King disability matter, in which Jason was denied occupational disease benefit and approved for non-duty disability. Carrie Hagerty made a motion, seconded by Todd Monahan to approve the Findings and Decision as presented. A roll call was taken:

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

Jason King's monthly gross benefit is \$3,826.05 and \$45,912.64 annually. Alan Granite made a motion, seconded by Bill Beaman to accept the benefit calculation as presented. A roll call was taken:

Ayes: Alan Granite Carrie Hagerty
Bill Beaman
Todd Monahan Michael White

Absent: None

Nays: None

Status of Annuity Contract Matter - Mike Weinstein presented an update for the Probst annuity. We have not received a response or acknowledgement from the City in regard to the letter that was sent out. CHUBB has said that the claim is too nebulous to constitute a claim at this time. If Mr. Probst were to die between now and 2037, then a claim may be possible because the loss of the death benefit would occur at that time. This seems to tie the Board's hands to continue the same insurer at least until 2037. The Fund needs clarification if a change in insurer would affect the coverage of this matter or not. Mike Weinstein will follow up with the legal director of the City.

Active Trustee Election – The election took place via an electronic vote. As a reminder there were three nominations. Brian Carlson declined. Brett Beaman and Todd Monahan accepted the nomination. Upon tallying up the votes, Todd Monahan was re-elected. President Granite reported that the electronic voting approach worked well and likely caused more participation by the active membership than through traditional paper balloting.

Status of Annual Affidavits of Disabled Members and Appointment of IME Physicians – Letters went out on April 8th to Sonny Chanthaphone and Jeff Gustafson. Both pensioners returned their documents. Sonny advised that he will be traveling to Rockford and thus able to meet with an IME physician in Illinois, based on the Board's selection. Attorney Clifford advised that under the state statute, Mr. Gustafson was not considered to be a special situation under PSTD status that would allow for the Board's discretion in waiving the annual IME. He is still subject to annual IME. Updated medical records for both pensioners will be obtained, and the Board will appoint annual IME physicians at a future Board meeting.

VIII. NEW BUSINESS

DOI Annual Statement – Progress has been made and the final two schedules are being completed in order to complete the DOI Annual Statement, which is due by June 30, 2021. Other schedules have been turned over to the actuary upon completion so that the actuarial valuation can be completed.

IX. TRAINING

Attorney Clifford reviewed several handouts with the Board including the Quarterly Insights that addressed inventories of open and closed session meeting records. She also provided an article she had written for the IAFFPD Fire Call Magazine on funding conundrums under consolidation.

X. ADJOURNMENT

Bill Beaman made a motion to adjourn the meeting, seconded by Todd Monahan. Motion carried and meeting was adjourned at 4:40 p.m. (Carrie Hagerty absent for dismissal)

Next regular meeting is May 20, 2021, at 3:00 p.m.

Respectfully submitted:

Prepared by:

Bill Beaman, Board Secretary

Karla Hunter, Staff

Date

Date

Approved by the Board of Trustees at its May 20, 2021, meeting.