

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
June 17, 2021

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, June 17, 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 (absent)

Michael White, Trustee, Trustee

GUESTS: Attorney Carolyn Clifford, Ottosen DiNolfo
Mike Piotrowski, Marquette Associates
Rowen Descellar, Journalist
Greg Kiesewetter, Cook Castle Associates

STAFF: Karla Hunter, Accountant

I. PUBLIC COMMENT – None

II. MINUTES

The minutes of the regular May 20, 2021, meeting were presented. Bill Beaman made a motion to approve the minutes and Michael White seconded the motion. A roll call vote was taken:

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

III. DISBURSEMENTS

The warrant for June 17, 2021, was presented in the amount of \$1,804,299.29. A motion was made by Alan Granite, seconded by Carrie Hagerty, to approve the disbursement warrant. A roll call vote was taken:

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

IV. CASH & INVESTMENTS

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

- All of the major asset classes posted positive returns for the month of May.
- The total value of the Fund as of May 31, 2021 is approximately \$182.7M.
- There were no significant changes to the asset allocation to the portfolio.
- The portfolio is overweight to equities over fixed income, which is a byproduct of market appreciation.
- Total composite return for the month is positive 1.4% and 7.6% YTD. Both of those are ahead of the policy benchmark and the actuarial rate of return.
- Long term numbers are also positive, the 3 Yr. number is north of 10%; 5 Yr. number is above 9% and the 7 Yr. and 10 Yr. numbers are close to 8%.
- We saw a pretty strong month in overall performance driven by the equity performance.
- Value and small cap have come back into favor. Over the short term, we have seen growth do slightly better.
- Non-US Virtus and American Funds underperformed for the month, but both Fiduciary and DFA outperformed for the month.
- Real Estate fund Principal was just shy of 1% return for the month and PIMCO had a 2.6% return. Their performance stream has been strong over the short and intermediate term.
- The fed just met this week and released minutes. As we know there has been a lot of stimulus and accommodating monetary policy in the markets recently.
- We have also seen inflationary pressures pick up significantly over the shorter term.
- The portfolio is well positioned for the remainder of the year.
- Anticipate raising short term interest rates earlier than expected. Probably sometime in 2023. They didn't mention that they were going to stop purchasing treasuries yet and this will have to occur for it to happen.
- The economy is gaining strength after the pandemic.
- We will need to raise some cash for benefit payments.
- Optimum and DFA can be taken off notice. Optimum was put on because of reorganization and DFA's performance has improved.

Cash needs of \$720,000 to be pulled from Vanguard Institutional Index Fund. This will help trim some of the equity exposure. Michael White made a motion, seconded by Bill Beaman to approve the cash needs. A roll call vote was taken:

Ayes: Alan Granite Carrie Hagerty
Bill Beaman
Michael White

Absent: Todd Monahan

Nays: None

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

Ayes: Alan Granite Carrie Hagerty
Bill Beaman
Michael White

Absent: Todd Monahan

Nays: None

V. FPIF UPDATES

- Attorney Clifford provided an update on the activities of the Firefighters' Pension Investment Board. The Board has completed RFP processes to hire Passive Investment Managers and Actuaries. The Board also expected to approve at its meeting on June 18, 2021 several updated and new rules addressing Transfer of Assets, Calculation of Net Asset Value, and Cash Management.
- On June 25, 2021, all Article 4 funds will be informed of their transfer dates.
- A resolution appointing the Fund's Authorized Agents for communications with FPIF and to execute certain documents and actions for the transition of assets will need to be approved by the Board.

Resolution No. 2021-2, a Resolution Appointing FPIF Authorized Agents naming Al Granite and Karla Hunter as the representatives for the Fund, was presented for the Board's review. Carrie Hagerty made a motion, seconded by Bill Beaman to approve the resolution. A roll call vote was taken:

Ayes: Alan Granite Carrie Hagerty
 Bill Beaman
 Michael White

Absent: Todd Monahan

Nays: None

VI. OLD BUSINESS

Status of annuity contract matter – No updates

Fiduciary Liability Insurance Policy – Greg Kiesewetter of Cook Castle Associates, LLC joined the meeting. Greg confirmed that there were some changes in the coverage being offered by CHUBB at renewal. He discussed our expiring policy of \$3M with \$10K retention and \$22,178 premium. Greg presented a few options:

- Under Option 1, the underwriter at CHUBB informed Greg that they are reducing capacity and that means that they in turn would need to reduce our coverage to \$1.5M; however, given that we were changing our brokerage firm, they did not feel that this would be appropriate. Thus, CHUBB was willing to offer us the same package as our expiring policy at a new premium of \$26,628.
- Under Option 2, Chubb would provide coverage of \$1.5M and excess coverage would be provided by a second carrier. Greg looked for options for excess coverage. With this option, one company would provide the primary coverage and the other company would provide the excess coverage. With this option, there is the same amount of coverage of our existing plan, but between two different companies. CHUBB would provide \$1.5M coverage and \$10K retention for a premium of \$17,288 and Hudson Insurance Company would provide \$1.5M coverage for a premium of \$8,644. The total premium would be \$25,932.
- Option 3, Hudson would provide a \$3M policy with no retention for \$26,261.

The Board discussed the three options at length. Greg does not believe that the current annuity claim had any bearings on the offer from CHUBB. Since the carrier was on notice when we had the \$3M coverage it should still be attached to that policy. Greg explained that there is an advantage to the layered limit approach. You have two companies working on your behalf to cover your risks and that you are building a relationship with. He explained that retention is similar to a deductible. The difference is the retention has to be paid

before the insurance company pays the insured. Greg discussed the hammer clause and additional exclusions linked to the different options. Asset size, funding ratio, and where the municipality funding drives the cost of the fiduciary liability policy.

Greg mentioned that Carrie has shown that the Fund has additional liability coverage under the City's policy. Greg discussed other options such as employee theft, forgery, computer and funds transfer, and counterfeit.

Motion made by Michael White, seconded by Bill Beaman to accept Option 2 layered benefits with CHUBB and Hudson subject to attorney review and approval of the language with the removal of the endorsement. A roll call vote was taken:

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

Affidavit policy/info – We have received 129 affidavits.

Status of Annual Affidavits of Disabled Members and Appointment of IME Physicians – Chanthaphone's appointment has been set up with Dr. Dan Samo for Friday, July 9th at 11a.m.

Motion made by Al Granite, seconded by Bill Beaman for Carolyn and her office to proceed with the annual IME appointment with Dr. Samo scheduled for Sonny Chanthaphone. A roll call vote was taken:

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

Carolyn has received a list of physicians that Gustafson is currently receiving treatments from. Carolyn suggests using one of our three IME psychiatrists Drs. Dinwiddie, Rone or Salzburg. She recommends using Dr. Dinwiddie as he is out of Northwestern and is more reliable to get a report back timely.

Motion made by Al Granite, seconded by Carrie Hagerty for Carolyn and her office to proceed with the scheduling an IME for Gustafson with Dr. Dinwiddie. A roll call vote was taken:

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

Military service time purchase – A discussion ensued and Carolyn informed the Board that IMRF has confirmed that our member can use his IMRF refund to buy back military time through a direct transfer to avoid a taxable event. Al is going to relay the information to the member.

Ending Service Options – A discussion took place about presenting forms with options for pension contributions for individuals to consider when ending their employment with the City. We will provide them with a list of options for them to act on concerning the funds that they have contributed while employed with the City.

Status of DOI Annual Statement, City Audit and Actuarial Valuation – We should have the final draft of the audit by June 30th. Carrie advised that the City has decided to lower the investment return assumption for this year’s actuarial valuation from 7.3% to 7.1%.

VII. NEW BUSINESS

Officer Elections – *Bill Beaman* made a motion, seconded by *Michael White* for *Al Granite* to remain President of the Board. A roll call vote was taken:

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

Officer Elections – *Al Granite* made a motion, seconded by *Michael White* for *Bill Beaman* to remain Secretary of the Board. A roll call vote was taken:

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

Review Closed Session Minutes – Attorney Clifford recommended the Board continue to keep closed meeting minutes closed. *Al Granite* made a motion, seconded by *Michael White* for *Bill Beaman* to keep closed meeting minutes closed. A roll call vote was taken:

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

VIII. TRAINING

Carolyn provided the Board with legal updates and the Trustees were reminded to provide any updates on their training as it occurs.

IX. ADJOURNMENT

Michael White made a motion to adjourn the meeting, seconded by *Bill Beaman*. Motion carried and meeting was adjourned at 4:43 p.m. A roll call vote was taken:

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

Next regular meeting is July 15, 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 July 15, 2021, meeting.