

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
August 19, 2021

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, August 19, 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 (present for actuary presentation until after purchases and sales)	
Todd Monahan, Trustee	Michael White, Trustee, Trustee (absent)

GUESTS: Attorney Carolyn Clifford, Ottosen DiNolfo
Mike Piotrowski, Marquette Associates
Sue Simon, Nyhart

STAFF: Karla Hunter, Accountant

I. PUBLIC COMMENT – None

II. MINUTES

The minutes of the regular July 15, 2021, meeting were presented. Todd Monahan made a motion to approve the minutes and Bill Beaman seconded the motion. A roll call vote was taken:

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

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

Mindy Kuehne has submitted her application for a service pension as a deferred pensioner retiring March 14, 2016. She served 20 years, 5 months, and 4 days upon retirement. She is entitled to a monthly pension of \$3,653.15 or an annual pension of \$43,837.79. A motion was made by Bill Beaman, seconded by Todd Monahan, to approve the service pension application. A roll call vote was taken:

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

Vito Licari has submitted his application for a service pension retiring August 13, 2021. He will have served 25 years, 10 months, and 3 days upon retirement. He is entitled to a monthly pension of \$5,416.29 or an annual pension of \$64,995.46. A motion was made by Todd Monahan, seconded by Bill Beaman, to approve the service pension application. A roll call vote was taken:

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

IV. DISBURSEMENTS

The warrant for August 19, 2021, was presented in the amount of \$1,874,976.47. A motion was made by Al Granite, seconded by Bill Beaman, to approve the disbursement warrant for an adjusted amount of \$1,853,065.58. A roll call vote was taken:

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

IV. CASH & INVESTMENTS

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

- The total value of the Fund as of July 31, 2021 is approximately \$186.9M.
- The Fund is underweight in fixed income and real estate and overweight in equities and cash. This is a byproduct of market movement.
- We rebalanced the plan last December and also started to receive property tax receipts. So we have around \$3.6M cash on hand and no need to sell investments to raise cash.
- Total composite return for the month is positive 0.7% and 8.9% YTD, outperforming the policy benchmark and ahead of the actuarial assumed rate of return.
- Long term numbers are showing to be quite strong on an absolute basis and on a relative basis compared to policy benchmark. At the 5 year showing 9% and at the 10 year approaching 8%.
- The Fund has seen compounded multiple years of strong returns in 2019, 2020, and now in 2021 with solid returns so far.
- All of the composites were in positive territory for the month except for international stocks. Fixed income was up 0.8%, US Equities were up 1.8% and real estate 0.5%, as well as global and non-US equity down 1.2%.
- Bond yield continue to fall and because of that, we saw the cyclical trade and value trade that worked earlier in the year start to reverse. While technology and large cap started to come back into favor.
- This is a little challenging environment, but it is believed to be short lived and over the longer term as we continue to recover from the pandemic, the cyclical themes will play out.
- Emerging markets had a challenging month. There was a lot of crackdown in China with their technology segment of the market. There was tremendous volatility in the MCI emerging markets which closed down nearly 7% for the month alone. A third of that market is in China.
- The three managers that we have in that space has all outperformed over the one month period even though the composite has a negative return.
- Fiduciary Management has struggled over the last two years, performed very well for the month up 2.7%. (Whereas their benchmark was at -3.6%).

- No material concerns for any of the managers. Continue to watch DFA. While they have shown relative improvements, but longer term they have been a challenge for us.
- A question was asked about whether the returns were accurate on the DFA Value Fund which shows a YTD return is 11% compared to its benchmark at 0.2%. Mike confirmed it was accurate, noting that if you go back to their presentation, they are a manager that fit in their own box. They have a smaller cap spectrum than the benchmark and are more value oriented. If you look at the market as we are coming out of the pandemic, small cap and value have led the market higher.
- There are no cash needs.

Records of purchases and sales were copied to Board members. Todd Monahan 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 Todd Monahan
Nays: None
Absent: Michael White

V. FIREFIGHTERS' PENSION INVESTMENT FUND (FPIF) UPDATES

- The FPIF Transfer Task Resolution reiterates who the Fund's appointed agents are and recognize that they have the permission to perform the tasks needed to during the consolidation process in order to transfer the assets. The resolution will be sent to Marquette as our consultant, the investment managers, and our custodians.

Bill Beaman made a motion to accept Resolution 2021-3 Transfer Task Resolution, seconded by Todd Monahan. A roll call vote was taken:

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

- The FPIF Transferal Notice Form is a letter notifying the ones that have fiduciary control over the assets of the transfer dates when assets will be transferred to the consolidated fund. This will be sent to Marquette, PIMCO, Optimum, Segall Bryant, Fiduciary, Capital Group, US Bank, Kayne Anderson, Dimensional, and Principal.

Todd Monahan made a motion to direct the authorized agents to sign and send out the Transfer of Notice Letters to Marquette, the investment managers, and the custodians, seconded by Bill Beaman. A roll call vote was taken:

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

- Northern Trust mailing consisted of an online survey that must be submitted by September 1st. The survey has been completed and all of the requested statements have been submitted. The contacts for the Fund listed on the questionnaire to receive financial statements and have the ability to view the Fund's account online were Alan Granite, Karla Hunter, and Carrie Hagerty.
- Continue to work on the cash flow projections and review of the transaction cash retention discussion for next month's meeting.
- Our potential non-transferable assets would be the life insurance contracts held at Hartford.

- There will be a hearing on September 10th for the status of the litigation case Arlington Heights PPF v. Pritzker.

VI. OLD BUSINESS

Article 4 to Article 6 transfer of service – Travis Lingel – Karla will contact him to see if he wishes to continue with the transfer process or request a refund

Status of annuity contract matter – No updates

Affidavit policy/info – There are a few affidavits outstanding. Hold off on withholding pensioners' checks until a decision is made next month.

Status of Annual IMEs for Gustafson – Dr. Dinwiddie suggested performing the annual IME via zoom. The board said that they preferred that the IME be performed as an in person session.

Status of DOI Annual Statement, City Audit – We will get an update on the audit at next month's meeting.

NEW BUSINESS

Actuarial Valuation presented by Sue Simon from Nyhart:

- One of the questions that comes up about consolidation is what happens afterwards with the actuarial valuation. Specifically, clients have asked what the benefit of having your own actuary is.
- The consolidated fund will have an actuary, but their relationship will be similar to the actuaries provided by the DOI.
- The tax levy that they will calculate will be similar to the statutory minimum contribution. They won't evaluate individual assumptions of our particular fund when populating values in their calculations.
- They won't provide information needed for the fund's financial reporting or consider different funding strategies for the fund.
- There are questions as to what interest rate will be used for evaluating liabilities one the consolidation is completed. When considering this, remember that the higher interest rate we use, the lower the liability or contributions need to be made.
- This year, we are using 7.1% which is twenty basis points less than last year. This puts Rockford in the middle of the comparable large public pension funds nationwide. The average in 2020 was 7.5%.
- It is possible that the consolidated fund may go as low as 7.0%, but the actual figure is unknown.
- We had an expected return this year of 7.3%; Market Value Return was 10.6% and Actuarial Value Return was 8.0%. The actuarial return spreads the gain/loss over 5 years instead of recognizing it all in one year. This keeps the asset value from bouncing around too much and reduces the volatility of the contribution amount.
- There was a slight increase in our participants from 602 to 609.
- Plan funding level slightly decreased from 51.6% to 50.4% due to the decrease in the interest rate assumption from 7.3% to 7.1%.
- There has not been any big changes in the demographics over the past few years.

- The market value average return over the last three years was 7% and over the last five years was 8%.
- Generational mortality shows that someone 25 today will live longer than someone that is 55 today due to health advances and healthier lifestyles. This is why it is important to use the correct mortality assumptions.
- In the past, our evaluations for plans have lagged about a year due to audit delays, etc. We would receive the actual plan results. The actuarial report would be based on activity from the year prior. The levy would be established for the next year and then the receipts would be collected the following year.
- Now, this actuary report becomes the basis for this year's levy and the cash receipts will be collected next year.
- What is the difference between required and actual contributions? We have to levy funds for a specific reason. Whatever we collect is owed to the fund. PPRT is a corporate tax that the city levied in the 1970's. The State took over this levy and now they collect the funds and distribute the funds to the cities. The city has to continue to use the funds in the same manner that they used the funds before. We distribute around 14% to the pension funds. The general fund must be used to meet ARC in case of shortages. This was not always done in the past.
- We have decided to decrease the payroll growth assumption down to 3.5%. By doing this, more contributions are needed in the beginning to pay down the unfunded balance a little quicker.
- Contributions are made up of the normal cost and paying off the unfunded liability.

VII. TRAINING

There were no updates on training at this time.

VIII. ADJOURNMENT

Bill Beaman made a motion to adjourn the meeting, seconded by Todd Monahan. Motion carried and meeting was adjourned at 5:10 p.m. A roll call vote was taken:

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

Next regular meeting is September 16, 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 September 16, 2021, meeting.