

**MINUTES**  
**ROCKFORD FIREFIGHTERS' PENSION FUND**  
**April 17, 2013**

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Wednesday, April 17, 2013, at 8:35 a.m. in the second floor conference room of the Fire Department Administrative Building at 204 S. First Street, Rockford, Illinois, pursuant to notice.

**CALL TO ORDER**

The meeting was called to order at 8:35 a.m. Upon a call of the roll, the following answered:

ATTENDED: Alan Granite, President  
Ronald Graw, Trustee  
Tracy Renfro, Secretary  
Michael White, Trustee  
Chris Black, City Finance Director

STAFF: Ted Dutkiewicz  
Linda Wlaznik, Pension Investment Accountant  
Judi Yehling, Recording Secretary

GUESTS: Attorney Carolyn Clifford, Ottosen Britz  
Mike Piotrowski, Marquette Associates

**PUBLIC COMMENT -- None**

**I. MINUTES**

- The March 20th minutes were presented. Ronald Graw noted that the minutes incorrectly stated that three individuals accepted nomination for the retired member trustee position the Board: Bill Beaman, Tom Fanara and Jim Strey. Tom Fanara did **not** accept the nomination. Tracy Renfro made a motion to remove Tom Fanara's name as having accepted the nomination and approve the minutes as amended. Michael White seconded the motion. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro  
**Nays:**      None

**II. APPROVAL OF APPLICATIONS/PENSION CHANGES**

- The necessary paperwork for enrollment of the 20 new recruits into the pension fund is now complete and their applications need to be approved by the Board. However, Granite pointed out that one of the recruits, Isaac Reynosa, had already resigned and asked what should be done. Linda Wlaznik indicated that he would still need to be accepted into the Fund and then Reynosa would need to request a refund from the Fund himself. Alan Granite proceeded to list the names of the new recruits who are seeking admission to the Fund: Matthew Unger, Nikolas Newson, Eric Schweitzer, Isaiah Cattage, Thomas Butler, Miguel Delarosa, Travis Hawkins, Joel Gustafson, James Beasley, Bryan Hutting, Isaac Reynosa, Christopher Sima, Patrick Nielsen, Anthony Dilonardo, Nathan Simmons, Kenneth Worley, Mark Schlanger, Jr., Rory Blanchard, Joseph Hamblock, and Pete Gioppo. Tracy Renfro made a motion to approve the applications of the new recruits, all of whom would be Tier II, as read into the record; Chris Black seconded the motion. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro

**Nays:** None

- Deborah Hudson is eligible for her first increase. She is entitled to a monthly increase of \$151.86/month for a monthly pension of \$5,213.70/month or an annual pension of \$62,534.40. Michael White made a motion, seconded by Tracy Renfro, to approve the pension increase. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro

**Nays:** None

- John Bengston passed away on March 22, 2013, and his pension will terminate. Alan Granite made a motion, seconded by Ronald Graw, to approve termination of the pension. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro

**Nays:** None

### **III. DISBURSEMENTS**

- Alan Granite made a motion to approve the April payroll estimated at \$1,218,955.85. Tracy Renfro seconded the motion. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro

**Nays:** None

- Invoices totaling \$41,907.90 were presented as shown in the attached warrant packet.

Alan Granite made a motion to approve the invoices as presented in the warrant packet. Tracy Renfro seconded the motion. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro

**Nays:** None

### **IV. CASH & INVESTMENTS**

- Mike Piotrowski introduced Mark McDonnell of Hillswick Asset Management by commenting that it was “a pretty interesting quarter for fixed income and in the world of bonds”:
  - McDonnell began Hillswick’s Investment Performance Review discussing the transition of the portfolio from 50/50 government bonds/mortgage to investing in corporate bonds by reducing the investment in mortgages.

- Hillswick's distribution is 26% in short duration bonds. They are 5% longer in duration than the benchmark.
- They are also underweight to corporate bonds relative to the benchmark, and they own virtually no BBB bonds.
- Their belief is that the markets are a "little rich" right now and the bull market in bonds is at an end.
- Page 3 shows the bonds held with McDonnell commenting that they are not "bond pickers;" they choose sectors.
- Page 4 shows the spreads by rating category from which Hillswick tries to pick out a trend. Hillswick believes that there will be a manufacturing renaissance and that we will have cheap energy in five years.
- Page 5 shows the credit spreads by risk category with McDonnell commenting that the single B bonds are a "bad risk" – you are not getting paid for the risk.
- Hillswick is buying bonds at tight valuations and are aggressively underweight versus other managers, and their intent is to "move" the portfolio over time. According to Hillswick, the underweight to overweight balance is where the profit is in the sectors. Right now corporate balance sheets are "pretty flush," and this is the closest Hillswick has ever been to the benchmark.
- Hillswick is watching the situation in Europe and will take advantage when the "financial crisis occurs" and buy corporate bonds then.
- Page 7 graphs the volatility index (VIX) which is close to an all-time low.
- According to Hillswick, the new normal is a slow economy with some growth and slow inflation. In the lower inflation environment, we have a very low nominal GDP which Hillswick believes will continue to another couple of years. Unemployment is trending downward so labor can ask for more dollars.
- Corporate profits are at an all-time high, and they have a "ton of cash" on their balance sheets. Hillswick is buying corporate debt and McDonnell admitted when asked if they're "early" that they are. But since Hillswick is not an individual bond picker, he said, "They are going to be early." In summary, he said, bond investment is "more art than science."
- Discussion followed Hillswick's presentation.
  - Mike Piotrowski commented that bond investment "depends on how you look at things;" Hillswick takes a "contrarian" view. Things, he said, are "very tight in the bond world." The fund has a good balance with Hillswick and Segal and we should "expect the portfolio to change as the market changes."
- Mike Piotrowski presented Marquette Associates' Pension Fund Report for March 31, 2013:
  - In general the U.S. economy is improving; housing is moving forward and growth is improving. The market was up 16% last year and 11% the first quarter of this year. And Mike Piotrowski thinks equity will be strong.
  - Bond yields rose but are down again. The Fund got 2% out of bonds which was a fantastic year.
  - Mike Piotrowski said it feels like 2007 – there is a complete disregard for risk. With bonds it is a continuation of last year and they are at an all-time low.

- Looking at page 6 and the equity market, the S&P was up 10.6% with small cap doing better than large cap.
- Page 7 gives an overview of the U.S. equity market, and pages 8, 9 and 10 review the “global economy” and non-U.S. markets.
- Page 12 shows that real estate is doing well and generating a 5% yield. Should have returns 6 to 8% in the next few years.
- Asset allocations are tight and we will be taking cash from Fiduciary but cash needs are low.
- Overall we were at 5.6% for the quarter and 7.0% for the last ten years. Fixed income did well before and real estate has certainly helped.
- Page 13 shows the individual managers:
  - Montag & Caldwell had a good quarter, and Mike Piotrowski recommends putting them back in compliance. They should continue to do well in this market environment.
  - Fiduciary is “contrarian” and is still sitting on cash and behind 2%.
  - Pimco has not done too much for the first quarter, but Principal has had a 2% return.
  - Manning & Napier has done very well.
- Overall, Marquette is “pleased with the performance” of the Fund; however, in the macro outlook, there may be a small sell off. Fees are still lower than industry averages but the newer funds are more expensive.

Following Mike Piotrowski’s report, Alan Granite made a motion, seconded by Chris Black, to move Montag & Caldwell from “Alert” status to back in compliance. A roll call vote was taken:

**Ayes:**        Alan Granite        Michael White  
                   Ronald Graw        Chris Black  
                   Tracy Renfro

**Nays:**        None

Cash needs for the month are \$50,000 and, per Mike Piotrowski’s recommendation, should be taken from Fiduciary. Alan Granite made a motion, seconded by Michael White, to raise \$50,000 cash to be taken from the Fiduciary per the recommendation. A roll call vote was taken:

**Ayes:**        Alan Granite        Michael White  
                   Ronald Graw        Chris Black  
                   Tracy Renfro

**Nays:**        None

- Ted Dutkiewicz passed out the report on the status of the Fund as of March 31, 2013:
  - The report showed total current market value of the Fund was \$144.74 million, up 2.993% year to date. The equity fund is up 20.007%, and fixed income is down 16.323% at 36.383% of the total Fund.
  - Total annual return is at 23.47%; equity annual return is 77.02%, a fixed income annual return of -46.30%, and a total income return of 8.12%.
- Records of purchases and sales were distributed.

Alan Granite made a motion, seconded by Tracy Renfro, to approve the purchases and sales for the month. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro  
**Nays:**      None

## V. OLD BUSINESS

- Training:
  - There is a spring pension seminar in St. Louis and one in Addison on May 3<sup>rd</sup>.
- Attorney Clifford indicating she was starting the process of obtaining the IMEs but it is still a little early; last year it was July before the letters were sent out. There are three individuals this year: John Albaugh, Marc Gasparini and Larry Peterson.
- Attorney Clifford reminded Board members that the Economic Interest Statements are due to the county by May 1<sup>st</sup> and are to be done online this year.
- Ted Dutkiewicz indicated that the RFP for an investment consultant is ready to be sent out.
- Linda Wlaznik indicated that the DOI Annual Statement is in progress.

## VI. NEW BUSINESS

- Sealed ballots received for the retired-member trustee position on the Board were handed out by Linda Wlaznik, and opened and counted by those present at the meeting. Results were 58 votes for Bill Beaman and 70 votes for Jim Strey. Alan Granite made a motion, seconded by Tracy Renfro, to accept the election results and declare Jim Strey elected to the retired member seat. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro  
**Nays:**      None

Strey's term will run for three years until 2016.

- Attorney Clifford addressed the Board on various items:
  - Brought up for discussion a comparison report the firm had done on various fire and police funds' actuarial reports and funding methods. The report compares the actuarial assumed investment return; the funding goal and the actuarial method for 34 different funds.  
Twelve out of the 34 funds use an actuarial assumption of 7%; ten of 34 use less than 7% and four use 7.5%. The rest are between 7% and 7.5%.  
For actuarial method, five use PUC and 30 use entry age normal.  
For funding, 9 have a funding goal of 90%; 25 aim for 100% and 4 use the full funding date of 2033.
  - She also provided a copy of the SEC ruling which indicts PUC and the 90% funding policy for public funds. Discussion ensued and Attorney Clifford asked Chris Black if the City is ready to consider using entry age normal as she wants to "get the train back on the track." Chris Black said they are looking at it and that the City is in a little better position to change. The City is trying to "do what we can slowly while meeting the law."

When asked about what impact the 30 new employees who are Tier II have on the fund, Chris Black said the impact will not be felt for another 15 to 17 years. Ted Dutkiewicz added that the impact is minimal because of the number of employees retiring but they will “run the numbers” to verify. Attorney Clifford said she felt the Fund was “on track” before the new legislation when the City was still using entry age normal and a 100% funding goal.

- Provided some other handouts and discussed some of the other bills before Congress relative to pension legislation and the courts’ position. Included in the handouts was flyer for a four-hour seminar in Skokie in case anyone was interested in attending.
- It is time to review the attorney’s annual retainer. Before asking for a change she provided a comparison between the cost of the monthly retainer versus what the hourly charge for last year would have been: the monthly retainer was \$7,200 and based on the number of hours incurred, the charges for the year would have been \$9,142 if billed at the hourly rate. The proposed rate change for the monthly retainer is an additional \$175 or from \$600/month to \$775/month. Travel time is excluded and there is a 10% discount on the retainer to encourage clients to call and have an attorney present at every meeting. This is a one-year contract and will be reviewed again next April.

Michael White made a motion, seconded by Tracy Renfro, to continue with payment of a monthly retainer of \$775/month to Ottosen-Britts. A roll call vote was taken:

**Ayes:** Alan Granite      Michael White  
          Ronald Graw      Chris Black  
          Tracy Renfro  
**Nays:**      None

Attorney Clifford prepared two copies of the new contract for the Board’s signatures – one for the Board and one for Linda Wlaznik’s records.

- Ted Dutkiewicz indicated that the actuarial report has not been started yet, as they are waiting for the DOI Annual Statement to be completed.
- **CLOSED MEETING** – None required.

## VII. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried and meeting was adjourned at 10:25 a.m.

Next regular meeting is May 15, 2013, at 8:30 a.m.

Signed:

  
\_\_\_\_\_  
Tracy Renfro, Secretary  
7/29/13  
\_\_\_\_\_  
Date

Prepared by:

  
\_\_\_\_\_  
Judith Yehling, Recording Secretary  
7-29-13  
\_\_\_\_\_  
Date

*Approved by the Board of Trustees at its May 15, 2013, meeting*