

because there may be some attorney/client privilege involved and this is causing the delay. Attorney Clifford said she would like to avoid going to court to enforce the subpoena. Once that paperwork is received, then the IME doctors' appointments can be set. She noted that she does not like to send to incomplete sets of records to the IME doctors, and that it is important that the IME doctors have a chance to review all the medical records before the IME exams.

IV. DISBURSEMENTS

- Alan Granite made a motion to approve the July payroll of \$1,308,218.69. Tracy Renfro seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Michael White
Chris Black Jim Strey
Tracy Renfro

Nays: None

- Invoices totaling \$35,222.10 were presented as shown in the warrant packet. The \$8,000 invoice from the DOI is the annual compliance fee. Tracy Renfro made a motion to approve the July invoices as presented in the warrant packet. Chris Black seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Michael White
Chris Black Jim Strey
Tracy Renfro

Nays: None

V. CASH & INVESTMENTS

- Mike Piotrowski presented Marquette Associates' Report for June 2014:
 - Page 1 of the report shows that June was a very strong month for performance, as was performance for the quarter. The Fund is up at \$158 million and is close to the target asset allocation policy, just slightly underweight to fixed income.
 - The Fund is up 1.4% for the month, 3.6% for the quarter and 5.5% YTD. ROI for stocks was 7% so a 5.5% return for the year with 35% of the assets in fixed income is a good return. Right now there are "no major concerns."
 - Credit/corporate bonds have done very well this year, and Hillswick has done well YTD.
 - Individual managers' performance is on page 3 and 4:
 - Fiduciary, the small cap manager, is doing well and is up 7.7% YTD.
 - Brandes, the international small cap fund, had a 2.9% return for the month and is up 12% YTD.
 - REITs are up 17%, and both Principal and PIMCO have done well.
 - Manning is behind by 20 basis points YTD but is good over the long term.
 - DFA, the emerging markets manager, is up 7.5% in the last three months.
 - Mike Piotrowski ended by commenting that the portfolio is well diversified.
- There were no cash needs for the month due to property tax receipts having been received.
- Records of purchases and sales were distributed.

Jim Strey made a motion, seconded by Chris Black, to approve the purchases and sales for the month. A roll call vote was taken:

Ayes:	Alan Granite	Michael White
	Chris Black	Jim Strey
	Tracy Renfro	
Nays:	None	

- Mike Piotrowski introduced Otto Odendahl of Manning & Napier who began his presentation at 3:10 p.m.:
 - Odendahl began his presentation by stating that the Manning & Napier Overseas Series is a mutual fund with \$3 billion in assets and an expense ratio of 76 basis points. The Rockford Firefighter’s Pension Fund has \$15,858,535 within its portfolio which was started in December 2008.
 - Page 7 of the presentation shows the performance of the fund as being very close to the benchmark after fees.
 - Page 9 shows portfolio allocations. Manning & Napier has approximately 15% in emerging markets versus the benchmark at 20%. The fund limits the total allowable amount in emerging markets to 35%, but given the current economic conditions, the current investment in emerging markets is not likely to rise very quickly above the 15% mark. A year ago it was in the single digits and has almost doubled in the last 12 months. However, in 1998 and 1999 it had 30% in emerging market but that amount dropped pretty steadily since due to market conditions. The investments are chosen on a stock-by-stock basis.
 - Looking at the allocations on page 9, Odendahl noted that its top country allocations are four “European” companies with Canada being part of the top five and among sectors, consumer staples is at the top followed by energy stocks which it believes will do well.
 - The supplemental market report provides an economic overview. Manning & Napier’s belief is that international markets are a good spot to be in but it also thinks that the volatility which has been trending downward will tick back up again.
 - As a whole it has \$52 billion in holdings with \$17 billion in non-US equity with approximately 80 stocks. The fund has a little bit of small cap exposure but leans more toward large cap right now.
 - Mike Piotrowski followed the presentation with commentary about the current Fund allocation for emerging markets at \$6.5 million which does not include exposure in Manning & Napier. DFA is emerging markets only, and the Fund has additional exposure to emerging markets with Brandes which amounts to about 20-25% right now in emerging markets. Manning & Napier continues to hire researchers whom it takes four to five years to train and they have a “very active strategy.”
- Ted Dutkiewicz passed out the report on the status of the Fund as of June 2014:
 - The report showed the total current market value of the Fund was \$158.2 million, up 3.358% year to date. The equity fund is up 6.351%, and fixed income is down 1.927% at 34.312% of the total Fund.

VI. OLD BUSINESS

- The DOI audit continues to be in progress. Linda Wlaznik indicated she had sent an email to the DOI re-submitting the annual statement since it initially had been rejected to correct purported errors, but she stressed that the numbers for purposes of the actuarial study were not really

affected. It was noted that the DOI has engaged in more scrutiny of the DOI annual statements this year and that many funds have had their statements rejected for additional review and refileing.

- All members of the Board have received a copy of Tim Sharpe's Actuarial Report for the year ending December 31, 2014. The Board will hope to have a phone conference with Tim Sharpe in August.
- Attorney Clifford discussed the IME process and use of physicians. She counseled that if there are three good IME physicians, continuing with the one of these same physicians for the annual required IME of a disabled member provides greater familiarity with the records and therefore greater cost savings. She does not believe it is good to switch every year which would raise a concern of "doctor shopping," and there is a concern that all disabled members who are subject to this process are treated the same. Her suggestion was not to do a formal policy or procedure but perhaps revisit each year the question as to whether to change IME physicians on a case by case basis. Attorney Clifford said perhaps a switch or change of physicians could be done just before the person reaches age 50 and new x-rays, functional capacity evaluations, etc. could be done.
- Attorney Clifford brought up several matters for information/discussion:
 - She provided the Board with another copy of her pension conference presentation.
 - She discussed the state pension reform legislation that is subject to pending litigation, saying that the Illinois Supreme Court is likely to find it unconstitutional now that the court has ruled in the state health insurance case that promised health insurance premiums for retirees are protected by the State Constitution's pension protection clause. This litigation is still pending before the Circuit Court and was not expected to be concluded until 2015 or later.
 - The proposed bill (HB 1165/SB 11) that would change the membership of fire and police pension funds to six-member boards and address the investment issues "went nowhere." Majority of the focus was on smaller funds who can't keep pace with the increases in unfunded liability.
 - There is another bill (SB 3309) that passed both houses and is awaiting the governor's signature which provides for correction of benefit mistakes. There is now an obligation to correct mistakes but the definitions are complicated. Basically if the amount of the benefit was set too high, the fund may recover the overpayment without interest but the amount recovered per benefit check cannot exceed 10% of the payment. In addition if the mistake is undiscovered for three years or longer, they cannot be made to pay it back, only change the amount going forward. If the fund sets the benefit too low, the fund must make the pensioner whole and pay interest on the underpaid amount. The DOI is tasked with setting the applicable interest amount.
 - There were two interesting issues in the press recently. One was where the SEC Commissioner said that if public funds were held to the same standard as private funds, the public funds' practices would amount to fraud. The second issue that caused debate was the issuance of "best practices" for actuarial studies for public pension funds by a blue ribbon panel of actuaries from the Society of Actuaries.
 - Attorney Clifford stated she believes the funding policy from the new GASB standards is a "City issue" and asked Chris Black if the City will adopt a formal funding policy or is it just "staying the course." Chris Black said there is a more stringent standard for bond rating surveillance and hopes the City will be able to "do better down the road" and follow the standard of entry age normal at 100%. Discussed the fact that this is the second year the City will be contributing according to PUC, and the fact that PUC actually provides for a higher required contribution than entry age normal at the current funding level because of the older demographics of the

Fund. Attorney Clifford asked if the City committed to a policy of entry age normal at 100% if the City would get a better bond rating.

The actual request for funding to the City should be done in fall. Chris Black indicated he would check on more information as far as acceptance of the funding policy to the GASB standard with the City's auditors.

VII. CLOSED MEETING – None required.

VIII. NEW BUSINESS -- None

IX. TRAINING

- Tracy Renfro has submitted his hours of on-line training for trustee training credit. A motion was made by Michael White and seconded by Chris Black to accept Tracy Renfro's on-line training for his required annual 16-hours of training, and a voice vote was taken. Motion carried. Linda Wlaznik verified that all Board members are in good standing with required training hours.
- Discussed various training opportunities:
 - The IPPFA Midwest Pension Conference is October 1, 2 and 3. Linda Wlaznik will send out an email on attendance as the early-bird deadline is August 1st (\$305 and after \$380). Jim Strey indicated that he would only be able to attend on Wednesday and Thursday for 16 hours.
 - There is a two-and-a-half day conference in Lisle sponsored by AFFI but Linda Wlaznik has no agenda yet.

X. ADJOURNMENT

A motion was made by Alan Granite, seconded by Tracy Renfro, to adjourn the meeting. Motion carried and meeting was adjourned at 4:25 p.m.

Next regular meeting is August 21, 2014, at 3:00 p.m.

Signed:

Prepared by:



Tracy Renfro, Secretary
8/20/14

Date

Judith Yehling, Recording Secretary

Date

Approved by the Board of Trustees at its August 21, 2014, meeting.

