

**MINUTES**  
**ROCKFORD FIREFIGHTERS' PENSION FUND**  
**July 16, 2015**

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, July 16, 2015, at 3:05 p.m. on the second floor 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 3:05 p.m. Upon a call of the roll, the following answered:

ATTENDED: Alan Granite, President  
                  Brian Carlson, Secretary

Tracy Renfro, Trustee  
Chris Black, Trustee/City Finance Director

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

ABSENT: Michael White, Trustee

GUESTS: Attorney Carolyn Clifford, Ottosen Britz                      Mike Piotrowski, Marquette Associates  
                  Otto Odendahl & Michael Borsht, Manning-Napier

**I. PUBLIC COMMENT -- None**

**II. MINUTES**

- The June 18, 2015, minutes of the regular meeting were presented. Tracy Renfro made a motion to approve the minutes as presented and Brian Carlson seconded the motion. Upon a voice vote, the motion passed.

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

- Surviving spouse Susan Robertson passed away June 23, 2015.  
Alan Granite made a motion, seconded by Tracy Renfro, to terminate the surviving spouse pension of Susan Robertson. A roll call vote was taken:

**Ayes:** Alan Granite            Tracy Renfro  
          Chris Black            Brian Carlson

**Nays:** None

**Absent:** Michael White

**IV. DISBURSEMENTS**

- Brian Carlson made a motion to approve the July payroll of \$1, 342,991.14. Tracy Renfro seconded the motion. A roll call vote was taken:

**Ayes:** Alan Granite            Tracy Renfro  
          Chris Black            Brian Carlson

**Nays:** None

**Absent:** Michael White

- Invoices totaling \$33,289.93 as shown in the warrant packet were presented. This amount included the charges for McCallips' IME from the Spine Center which were tabled previously and determined

to be appropriate. A motion was made by Alan Granite, and seconded by Tracy Renfro, to pay the invoices as presented in the warrant packet. A roll call vote was taken:

<b>Ayes:</b>	Alan Granite	Tracy Renfro
	Chris Black	Brian Carlson
<b>Nays:</b>	None	
<b>Absent:</b>	Michael White	

#### IV. CASH & INVESTMENTS

- Otto Odendahl of Manning & Napier presented their annual review report as of May 31, 2015:
  - Odendahl directed the Board's attention to the "Dear Client" letter which explains changes being made to their research organization, citing several personnel moves.
  - Odendahl explained that as the firm grew from \$6 billion in assets under management to \$54 billion, they continued to add personnel. However, they have experienced several difficult years and by consensus decided that the decision-making group was just too large. They split the Core Team into smaller groups and added a Core Equity Group. He emphasized that the Technology Groups have remained the same and so have their deep value focus and strategies.
  - Since March they have made several investment changes. Holdings have dropped from 70 to 65 but while getting some stocks out of the portfolio they have also added three or four names that they really liked. The smaller groups make it easier to move stocks in and out of the portfolios.
  - Performance wise through May 31<sup>st</sup>, Manning is up 4.21% versus the benchmark at 4.03%. The one year performance, which includes the last two quarters of 2014 which were not good for Manning, was down 10.31% compared to the benchmark which was down 5.26%.
  - Last year, July 1<sup>st</sup> through September, the drop in energy prices adversely affected the fund. Consequently, they have begun reducing their energy exposure since the beginning of the year and increasing their exposure in the technology and healthcare sectors, and exposure to emerging markets, particularly China, with long growth opportunities.
  - Manning's performance has improved over the last four months with the changes to smaller core groups and exposures. These decisions were made late last year, and they now realize they should have trimmed a lot more aggressively.
  - Despite the changes mentioned above their profile strategy has not changed: growth at a reasonable price. They tend to stay away from cyclical companies and 72% of their investments are in profile strategies.
  - Overall they have added value but it is "still a slow growth world," and "we're at the bottom of the cycle."
  - Mike Piotrowski followed up Manning's presentation by saying that emerging markets are doing well and Manning's performance has improved with the changes they've implemented.
- Mike Piotrowski presented Marquette Associates' Flash Report as of June 30, 2015:
  - Per Marquette's report (page 9) shows the Manning & Napier Overseas Fund. Manning was pretty honest about the fact that they struggled in 2014 and over five years they were at 6.9% versus the benchmark at 7.8%. Year to date, Manning is at 4.2% versus the benchmark at 4.0%, and Marquette would like to give them more time. In general this is a volatile asset class, and according to Mike Piotrowski, the people and process are still there today and over 10 years while they have been a somewhat volatile manager they have ultimately stayed on track. Marquette will continue to monitor them on a monthly basis and will keep them on "alert"

status. Their fees are generally below average at 75 basis points with the average for international managers being about 90 basis points.

- For the Fund overall, June was a “tough” month. The Fund was down 1.4% for the month but up 1.8% for the year, and has outperformed the policy YTD and the last 3 years, in-line at 4 years; underperforming at 5 years and outperforming 7-10 years.
- The portfolio is very diverse, and this should benefit the Fund greatly this year. Mike Piotrowski said he is “cautiously optimistic” at this point.
- Individually Hillswick and Fiduciary outperformed their benchmarks but DFA, Brandes and Segal all underperformed. REITS struggled this month but Principal was up 6%. Only PIMCO and Manning-Napier are on alert status.
- There are no cash needs for the month due to property tax receipts.
- Records of purchases and sales were distributed.

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

<b>Ayes:</b>	Alan Granite	Tracy Renfro
	Chris Black	Brian Carlson
<b>Nays:</b>	None	
<b>Absent:</b>	Michael White	

## V. OLD BUSINESS

- The rules update was tabled.
- Attorney Clifford hasn't received copies of the transcripts for McCallips' hearing so hasn't drafted the findings.

## VI. NEW BUSINESS

- Linda Wlaznik reported that she received an “extension” to file from the DOI, and the DOI annual statement is in progress.
- Chris Black reported that the City audit report should be done by the end of the month.
- Attorney Clifford pointed out that GASB coordination will be needed between the actuarial and audit reports, and Chris Black noted that everything has been submitted.
- Chris Black stated that the City's funding policy will not change this year.
- Chris Black reported that the final results from the actuarial study have been received. Tim Sharpe, the City's actuary, has changed the actuarial study's assumptions to align with the DOI's experience tables from 2012, which caused dramatic increases in the required contributions. Contributions will be as follows: \$6.67 million for 2015; \$7.229 million for 2016 and \$8.55 million for 2017. With the old assumptions there would have been a 6.1% increase with an increase of 18% between 2016 and 2017 or \$13.3 million in 2016 to \$16.4 million in 2017 for the combined funds, Police and Fire. The Police Fund increase was more dramatic and at least partially based on the fact that they have more people retiring. The Board may be able to conduct a conference call with Tim Sharpe in August or September to review the results. The municipal compliance report is due in October when the Board can make the formal funding request of the City and approve the funding request letter. Chris Black noted that the property taxes make up 35% of the City's revenues.

- Attorney Clifford provided the Board with some legal updates and handouts. One was on an ERISA case before the Supreme Court in which the Fiduciaries for a 401K plan were sued by the members and the decision was that the Fiduciaries had an “on-going duty to monitor investments.” Nothing really new and this Board certainly monitors its investments and fees conscientiously. She also provided some reports on what the standards boards for actuaries are doing.
- Ted Dutkiewicz officially retired on July 1<sup>st</sup>. The Board wants to send a letter or resolution to Ted Dutkiewicz thanking him for all his years of service. Attorney Clifford will forward an example resolution for approval at the August meeting.
- Training:
  - The IPPFA training conference is October 6-9, 2015, in Lake Geneva, Wisconsin. The deadline to register with a discount is August 1<sup>st</sup>. Attending for just the two days counts as the 16 hours of required training.
  - There is also a Fire District Conference in February 2016 with pension trustee training available.

**VII. CLOSED MEETING – None required.**

**VIII. ADJOURNMENT**

A motion was made to adjourn the meeting. Motion carried and meeting was adjourned at 4:08 p.m.  
 Next regular meeting is August 20, 2015, at 3:00 p.m.

Signed:



\_\_\_\_\_  
 Brian Carlson, Secretary

8/20/15

\_\_\_\_\_  
 Date

Prepared by:

\_\_\_\_\_  
 Judith Yehling, Recording Secretary

\_\_\_\_\_  
 Date

*Approved by the Board of Trustees at its August 20, 2015, meeting.*