CITY of SPRINGFIELD

POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO
830 Boonville
Springfield, Missouri 65802
Phone: (417) 839-8214

Minutes
August 20, 2013

1. Call to Order

Cowherd called the meeting to order at 8:30 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Charlie Cowherd	President	X	
Paul Carroll	Citizen	X	
Jerry Fenstermaker	Citizen	X	
James Gillette	Citizen	X	
Josh Hartman	Citizen	X	
Marilyn Hill	Citizen	X	
Ron Hoffman	Retiree	X	
Scott Steck	Police	X	
Chris Thompson	Fire	X	
Adam Carter (NV)	Fire	X	
Grant Dorrell (NV)	Police		X
David Inmon (NV)	Retiree	X	
Mary Mannix-Decker (NV)	Finance	X	
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law		X
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

Jan Millington, Assistant City Attorney, filled in for Dan Wichmer.

2. Approval Meeting Minutes – July 18, 2013 (open session)

Thompson made a motion to approve the July 18, 2013 as presented; 2nd by Fenstermaker. Vote all: Yes.

3. Review of Retirement Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Wayne Woods	Age & Service	08/14/2013	09/06/2013	Police

Steck made a motion to accept Wayne Wood's age and service retirement application; 2nd by Thompson. Vote all: Yes.

4. Retirement Calculations

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Glenn Kimberlin	Fire	Non-Duty Disability	16.39	$2,145.44	$899.70

Thompson made a motion to accept the retirement calculation as presented above; 2nd by Carroll. Vote all: Yes.

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Andrew McPherson	Police	Duty Disability	9.06	$2,584.05	$1,083.64

Steck made a motion to accept the calculation as presented above; 2nd by Thompson. Vote all: Yes.

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
John Marion	Fire	Age & Service	25.00	$4,351.32	$4,351.16

The corrected calculation with the Finance Department's signature was presented. Gillette raised the point that the partial month calculation was for 31 days which is a month so it shouldn't be considered partial. There is a .16 difference in the amounts presented and he isn't sure why. Thompson made a motion to accept the calculation for John Marion as presented above; 2nd by Carroll. Vote all: Yes.

Name	Spouse	Type	Monthly Pension Amount	Last Pension Check
Samuel Pigg	Mary Pigg	Survivor's Final Pension	$2,250.79	$1,161.70

Thompson made a motion to accept the calculation as presented above; 2nd by Hoffman. Vote all: Yes.

Manley informed the Board that the death audit process will be put in place very soon. This will be a quarterly process, but possibly monthly if there isn't an increase in cost. The company will monitor if there have been any deaths of retirees or beneficiaries. Cowherd asked if the Board had approved the contract. Manley said the amount was previously approved by the Board. The cost is just over $900 a year. This process was recommended by the auditor. Cowherd said this was also strongly recommended at MAPERS and even more important now that Glenda Hudson in Finance has retired. She was very familiar with the retirees and recognized several names by reviewing the obituaries in the newspaper.

5. Approval of Return of Contributions

Glenn Kimberlin	Non-Duty Disability – 16.39 yrs.	Fire	$80,986.92
Andrew McPherson	Duty Disability – 9.06 yrs.	Police	$44,889.67

Thompson made a motion to approve the return of contribution for Glenn Kimberlin and Andrew McPherson; 2nd by Steck. Vote all: Yes, with the exception of Cowherd who voted no.

6. Administrative Director's Report

Manley reported that the annual income verification letters were mailed last week. She's also working with Human Resources on a new beneficiary designation form so that everyone will know who the retirees' beneficiaries are. A special mailing will be sent within the next 30 days. The problem is that several haven't updated their beneficiaries.

Manley said the Board needs to determine if it will supply the City with medical examination records for those who apply for disabilities. Human Resources has requested copies. She said Sheppard said that assuming it is a HIPAA issue, our current release form wouldn't allow us to share the medical records. In other words, the Board can't use its existing form if it is going to share the information. The release form would need to be changed if the Board wishes to share. It was mentioned that we have received the City's work comp files in the past, but HIPAA doesn't apply to work comp. However, it does apply to the Board. Manley said she asked Sheppard for his opinion because the Board had previously determined that it was a conflict of interest to get Wichmer's opinion. Manley said she's assuming the City needs the files to close work comp claims. Gillette said that he doesn't have any interest in opening that can of worms and exposing the Board to that liability. Several others agreed. Gillette said that if an employee wants the information released then they are welcome to contact the Board via letter requesting that information to be released to the City. Cowherd said that Sheppard didn't make a recommendation as to whether or not to release the information. He just said that if the Board is going to release the information a different form would be needed. Manley said she didn't have Sheppard go any further until she knew the Board's wishes as to whether or not to release the medical information.

Manley informed the Board that Old City Hall will be closed September 10-18th which is where her office is located. She also reported that the audit committee has met two times. One involved meeting with BKD, the Plan's auditor, for recommendations. Fenstermaker said that he would like to see written minutes for that committee. Manley said that the minutes only contain the motions, but it is not a problem to circulate them.

Mannix-Decker and Rushefsky entered the meeting.

7. Approval of Financial Statement Ending June 30, 2013

Mannix-Decker reported on the following items of interest:

- The cash balance at the end of June was $2,347,539.
- Galliard had a decrease of ($658,218). The fund returned -1.47% compared to the index return of -1.12%.
- Brandywine had a decrease of ($395,141). The return was -1.74% compared to the benchmark of -0.39%.
- Entrust had an increase of $3,970,913. This was an investment of sales tax monies. Entrust only credits contributions on the first day of the month. That is the reason that there is a difference on the Segal Rogerscasey report. Mannix-Decker said this same process is being seen with more managers.
- Pictet decreased by ($1,140,050). The return was -2.34% compared to the index return of -3.55%.

- Prudential increased by $218,335. The return was 3.36%
- Wells Fargo had a decrease of ($588,096). There was no return information at the time of the report.
- The State Street Russell 2000 NL Fund decreased by ($877,894). The return was -0.52% compared to the index of -0.51%.
- The State Street Commodities NL Fund decreased by ($560,986). The return was -4.72% compared to the index of -4.71%.
- The State Street S&P 500 Flagship NL Fund decreased by ($2,531,690). The return was even with the index at -1.34%
- The US Tips NL Fund decreased by ($346,874). The return was even with the index at -3.58%
- The accounting statements are on an accrual basis. We show revenue that is earned, but not yet received. From the auditor's prospective, sales tax is two months lag. The $4,164,480 in the due from other funds account is the July and August sales tax.
- Total Net Assets at the end of June were $254,357,749 which is an increase of $2,192,162. When comparing to the beginning of the fiscal year, the Plan has seen an increase of $42,447,907.
- The sales tax contribution totaled $7,001,100. This includes three months of accrual because of the way the sales tax is collected. Since it is the year-end statement, accounting rules require the accrual to appear on the June statement. The July and August reports will not show any sales tax numbers.
- Gain/Loss in market value, including managers' fees was ($4,339,369) for the month. Total additions to the Plan were $3,850,049.
- Benefit payments totaled $1,531,254. Return of contributions totaled $140,767. Administrative expenses totaled ($14,134) due to the outside legal counsel fees being refunded by the City for items that should have been covered by the City Attorney's office.
- Net increase in Plan assets totaled $2,192,162.
- Mannix-Decker informed the Board that Milliman will be present at the October meeting and the auditor will present at the November meeting.

Thompson made a motion to approve the financial statement ending June 30, 2013; 2nd by Carroll. Vote all: Yes.

Manley reminded the Board that Hoffman, Inmon and Thompson's terms expire in December. Nomination forms will be mailed to the retirees followed by ballots the month after nominations are received. A nomination notice will be sent to all active fire employees for Thompson's position and then an election will take place the first week in December.

8. Quarterly Investment Report – Segal Rogerscasey

Dave O'Donovan announced that he will be retiring in October. He introduced Jeff Boucek who will be taking O'Donovan's place on the Plan's team. Kris Katarski will remain on the team as well.

O'Donovan presented the quarterly report for the fiscal year to date as of June 30, 2013. The S&P was up over 20% for the 12-month period. Bonds actually lost money which is not something we are used to experiencing. The market value at the beginning of the fiscal year was $206 million. The net external growth consisting of contributions and transfers was just over $14 million. The return on investment was nearly $24 million over the last 12 months bringing the ending market value to $243,849,000.This is an 11.5% increase for the 12-month period.

Katarski reported that total domestic equities were up about 3% for the quarter. The S&P Flagship Fund was up 2.93% for the quarter (20.64% for the year) and the Russell 2000 Index Fund was up 3.09% for the quarter (24.25% for the year). Pictet was up 0.38% for the quarter (20.69% for the year). Wells was down -5.41% for the quarter. Emerging markets were a tough place to be overall. Galliard was down -1.98% for the quarter (up 1.42% for the year). SSgA TIPS was down -7.05% for the quarter (-4.78% for the year). Brandywine was down -2.29% for the quarter (up 4.92% for the year). PRISA was up 3.36% for the quarter (10.72% for the year). The SSgA Commodity Fund was down -9.45% for the quarter (-8.06% for the year). Entrust was up 0.83% for the quarter. The total plan was down -0.42% for the quarter, but up 11.50% for the year which is $23,897,000 increase in the return on investment.

O'Donovan updated the Board on the Investment Policy Statement. He said it was sent to all of the managers for acknowledgement. He said there were four managers who wouldn't acknowledge it. They were Brandywine, Pyramis, State Street and Blackstone. These funds have their own investment policy statement and Segal Rogerscasey said they are willing to go along with that and think it makes sense. They are all buy-rated managers. They are uncomfortable signing the Board's IPS because they feel it isn't clear enough regarding whose policy supersedes. O'Donovan said that Segal Rogerscasey is still comfortable investing with all of them. Pyramis said our IPS wasn't strong enough for their legal people to sign it. He doesn't think the Board wants to go back and make changes to the IPS again. Manley said that one said they would sign that they had received the IPS, but not sign that they agree to it. Another said that their IPS has to be the overriding policy because of the multitude of clients that they have. O'Donovan said that they normally don't have managers acknowledge or sign off on investment policy statements. That is something this Board has decided to do, but Segal Rogerscasey hasn't really went up against this before. He thinks everything is fine though and they support the managers and thinks they are appropriate to be in the program. Carter questioned if Sheppard is comfortable with these four managers and their response? Manley said yes. Cowherd asked O'Donovan if Segal Rogerscasey is making sure the managers are complying with their own IPS. He said yes, it is their job to make sure the managers are staying in line. Cowherd asked if that is part of the agreement with Segal Rogerscasey. O'Donovan said that certainly staying on top of the managers is part of what they do.

Thompson asked if Segal Rogerscasey is still comfortable with the 7.5% assumed rate of return. O'Donovan said yes, they have not changed their opinion on this.

Thompson made a motion to accept the quarterly investment report as of June 30, 2013 as presented by Segal Rogerscasey; 2nd by Carroll. Vote all: Yes.

9. Legal Matters – Closed Session, pursuant to Section 610.021, RSMo.

Thompson made a motion to move to closed session at 10:20 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Fenstermaker. Vote all: Yes. Open session resumed at 11:02 a.m.

10. Buy-Back Calculations

Thompson informed the Board that the employees again want Milliman to explain the buy-back calculations. He questioned if there was any merit to having Zwiener provide an explanation at the next meeting. Carter said that the perception is that if you are told that something is too complicated to understand then you are being lied to. He said he thinks Zwiener should provide the formula that is used and then if they don't understand it's one thing. Steck said he and Manley were put in an uncomfortable position at the pre-retirement seminar about not having the formula. Gillette again explained the complexity of the calculation. There are many assumptions that go into the calculation. It looks at tiny probabilities of every single event that could possibly occur over that person's life and you're looking at it under a variety of scenarios. You have to look at all those scenarios to figure out which one has the potential to cost the most. Cowherd said he honestly doesn't think there is going to be a solution to this unless the associations decide to hire their own actuary to check the work. He's not sure what that would cost, but it might not be that much. Thompson said the problem isn't going to go away.

Gillette suggested asking Zwiener if he has a presentation that he's done in the past. Carter suggested asking him to come to the October meeting prepared to address the issue and to work on notifying those who may have questions to come to the meeting. It was mentioned that Zwiener is coming to present very important information to the Board in October. The Board needs that information to evaluate where the Plan is at from an actuarial perspective. The buy-back discussion could take up a lot of time and distract from his original purpose in attending. It was suggested that it may need to be a separate meeting. Manley suggested maybe doing it the afternoon prior to the Board meeting.

Gillette said that the annual report contains the assumptions that go into the calculation. Manley suggested explaining the assumptions in a little more detail and how the computer calculation generally works. Thompson said he anticipates the employees throwing out their particular situation and asking for explanations. Cowherd again suggested that the associations hire an actuary to check the work. Hoffman said that the problem is that they are over simplifying the calculation. He doesn't understand it completely, but he gets what Gillette is saying. Steck said he understand that there are assumptions, but there should be a formula based on all the variables. He said he's been on this Board for over year wanting that formula and Zwiener refuses to give it because he thinks we won't understand. He said he would like to take a shot at it. Gillette said one option is to ask Zwiener what it would cost to work up a calculation step by step. He thinks it would be very expensive. It is volumes of material. Gillette said he's not trying to get in the way. He's just trying to save money, but if the employees want us to go down this road then let's at least see what it's going to cost to see a line by line calculation. He said it may not even be possible for him to do in any reasonable time frame.

Carter said he thinks Zwiener is obligated to present himself to the group of people who have questions. They may walk away scratching their heads, but he doesn't think that is unreasonable to ask of him. Gillette said Zwiener is not obligated to anything but give the Board an annual report because he's the appointed actuary. Carter said he's obligated to answer our questions. Gillette said he's obligated to answer questions on the annual report. If we pay him to do a calculation, he's obligated to answer questions on the calculation in question. He's not obligated to answer how things work in general unless we are willing to pay for him to be a teacher. We might be able to pay for him to do that, but he's not obligated to answer any question that we can think of. Cowherd said that the whole logic escapes him. The employees are saying they don't trust Zwiener's calculation, but they want him to explain how he does it. Why don't they get someone they do trust to prove whether Zwiener is right or wrong? Gillette said there aren't variations to the calculation, but there are different assumptions. Hartman said it is more art that pure science. When the assumptions change you will get two different answers and nobody will have the same assumptions.

Manley said she will check with Zwiener to see if he has a presentation and go from there.

11. Adjournment

Thompson made a motion to adjourn the meeting; 2nd by Fenstermaker. Vote all: Yes. The meeting was adjourned at 11:22 a.m. on August 20, 2013.

 Secretary Signature: Nikki White