CITY of SPRINGFIELD

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

Minutes
February 14, 2013

1. Call to Order

Cowherd called the meeting to order at 8:35 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Charlie Cowherd	President	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

2. Approval Meeting Minutes – January 10, 2013 (open session)

Hill made a motion to approve the January 10, 2013 minutes as presented; 2nd by Thompson. Vote all: Yes.

3. Approval of Financial Statement Ending December 31, 2012

- The cash balance at the end of December was $1,254,007.
- Brandywine had an increase of $2,307,981. The fund returned 1.48% compared to the index return of -1.14%. $2 million was transferred into Brandywine.
- Galliard had an increase of $22,551. The return was 0.24% compared to the index return of 0.14%.

- Pictet had an increase of $1,335,852. The return was 3.18% compared to the index return of 3.20%.
- Prudential had an increase of $55,310.
- Wells Fargo received an opening deposit of $7,000,000.
- The State Street Russell 2000 NL Fund had an increase of $771,603.
- The State Street Commodities NL Fund decreased by ($285,100).
- The State Street S&P 500 Flagship NL Fund decreased by ($6,526,721). $7 million was transferred out to fund Wells Fargo.
- The US Tips NL Fund decreased by ($64,758).
- Total Net Assets at the end of December were $230,779,363 which is an increase of $4,656,383.
- The sales tax contribution for the month totaled $2,701,088.
- Gain/Loss in market value, including managers' fees was $2,728,922 for the month. Total additions to the Plan were $6,231,427.
- Benefit payments totaled $1,514,030. Administrative expenses totaled $61,014.
- Net increase in Plan assets totaled $4,656,383.

Thompson made a motion to approve the financial statement ending December 31, 2012; 2nd by Hill. Vote all: Yes.

4. Review of Retirement Applications

Retiree's Name	Application Type	Application Date	Department
Morris Moore	Relinquishment	1/11/2013	Fire

Thompson made a motion to accept Morris Moore's relinquishment application; 2nd by Hoffman. Vote all: Yes.

5. Retirement Calculations

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Andrew Barksdale	Police	Age & Service	21.89	$3,929.57	$3,422.53
Teresa Newton	Fire	Non-Duty	8.50	$869.34	$616.95
Robert Willett	Police	Age & Service	23.03	$3,570.98	$575.97

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

A survivor's final pension calculation was presented for Elizabeth Wade who passed away on November 29, 2012. Cowherd mentioned that this calculation was a little late. Mannix-Decker said their office wasn't notified of her death and they are currently in the process of trying to recover the prior payments that were made. She said Wichmer will cover this later. Cowherd questioned approving a final check when the money should be coming the other direction. Mannix-Decker said the Board could approve it and ask Finance to hold the check. Fenstermaker said it could be done subject to collection of the refund. Cowherd suggested waiting to hear from Wichmer for an explanation. Mannix-Decker said she received a full check in December and shouldn't have, so over $1,300 is due back to the Fund. This matter was tabled.

6. Approval of Return of Contributions

Andrew Barksdale	Age & Service – 21.89 yrs.	Police	$116,531.14
~~Morris Moore~~	~~Relinquishment – 7.66 yrs.~~	~~Fire~~	~~$37,160.34~~
Teresa Newton	Non-Duty Disability – 8.50 yrs.	Fire	$38,861.25
Robert Willett	Age & Service – 23.03 yrs.	Police	$111,325.60

Thompson made a motion to approve the return of contribution for Andrew Barksdale; 2nd by Fenstermaker. Vote all: Yes, with the exception of Cowherd who voted No.

Thompson made a motion to approve the return of contribution for Morris Moore; 2nd by Fenstermaker. Vote all: Yes.

Thompson made a motion to approve the return of contribution for Teresa Newton; 2nd by Fenstermaker. Vote all: Yes, with the exception of Cowherd who voted No.

Thompson made a motion to approve the return of contribution for Robert Willett; 2nd by Hill. Vote all: Yes, with the exception of Cowherd who voted No.

7. Mike Adams' - 2013 Pension Calculation

Manley informed the Board that Adams was overpaid last year by $1,052.62. Finance made an error by using the wrong number when calculating last year's amount. It was proposed that he payback $87.72 each month this year to make up for the overpayment. Adams' 2013 amount would be $3,251.26 for February-June and $3,348.80 for July-January 2014.

Thompson made a motion to approve the 2013 Pension amount for Mike Adams; 2nd by Fenstermaker. Vote all: Yes.

8. Administrative Director's Report

Board Training – Manley reminded the Board that they are required to attend two training sessions per year. Sheppard will conduct one session in March. The MAPERS Conference in July counts as the second. It has been asked when the next training session will be for those who can't attend MAPERS. MAPERS has an online self-directed training class. The question is whether it qualifies. When Manley talked to MAPERS they said this law has never been tested so they have advised people to take the self-directed training class. Manley said there is no other class that Board members can attend to meet the requirements. She is asking for reference in the minutes that the Board approves the online course. A completion certificate will not be provided so the Board member will have to certify to the Board that they have completed the online course. Cowherd said Sheppard is ok with this. He would prefer that members actually attend MAPERS though.

Thompson made a motion to approve the MAPERS self-directed online training course as one of two training sessions required per year and for Board members to provide certification that they have completed the course; 2nd by Fenstermaker. Vote all: Yes.

9. Emerging Market Debt Investment Manager Search

O'Donovan stated that the two firms presenting are buy-rated managers. Audio recordings of each presentation are on permanent file.

Gerald Branka and Brian Drainville presented on behalf of Pyramis Global Advisors. Christopher Mirtovich presented on behalf of Stone Harbor Investment Partners, LP.

Bailin said Pyramis and Stone Harbor are both very good players return wise. Pyramis is in the 12th percentile for 5 years and Stone Harbor is in the 28th percentile. O'Donovan said that performance isn't really going to help make the decision because both are very strong. In four out of 10 years, Pyramis has been in the top 40th percentile. Stone Harbor has been in the top 40th percentile in six out of 10 years. Stone Harbor has $8.5 billion in assets and Pyramis has $16.4 billion in this asset class. Pyramis has two portfolio managers and four dedicated analysts. Stone Harbor has 10 portfolio managers and 13 dedicated analysts. Pyramis' expense ratio/fee is 65 basis points and Stone Harbor is 72 basis points. Fenstermaker pointed out that Pyramis' average maturity is 10.99 and Stone Harbor's is 13.77. Bailin said both have very good diversification. Both are buy-rated managers, but Segal-Rogerscasey leans toward Stone Harbor.

Fenstermaker said that both are very good. He likes Stone Harbor's focus. They have a heavy resource allocation. He really likes a couple of things about Pyramis. First are the expense fees and the maturity profile. These are better than Stone Harbor and that's the basic economics. He would be in favor of Pyramis. Sheppard pointed out that Stone Harbor still outperformed net of fees with less risk. Bailin said that is correct. Hartman said he likes some things about Pyramis, but Stone Harbor's numbers are tough to argue with. They are really good.

Fenstermaker made a motion to select Pyramis for the emerging market debt manager; 2nd by Thompson. Discussion: Hill questioned voting against Segal Rogerscasey's recommendation. Bailin and Cowherd explained that Segal Rogerscasey recommended both companies and are comfortable with either. Vote Yes – Fenstermaker, Thompson, Steck and Hoffman. Vote No – Hill, Hartman and Cowherd. Pyramis was selected at the emerging market debt manager.

10. Quarterly Investment Report

O'Donovan reported that the S&P 500 was up 16% in 2012. January 2013 was a good month as well. It is up nearly 130% since March 2009. In 2012 the riskier investments did well. The Russell 1000 and 2000 were up 16.4%. The MSCI EAFE was up 17.9%.

O'Donovan reported that the Plan is up 13.7% for the 2012 calendar year. The return on investment was $26,109,000. The Plan outperformed the benchmark by 295 basis points. This ranks in the 34th percentile when compared to other plans of a similar size. O'Donovan said he would put more weight on the comparison relative to the benchmark versus the universe. The universe consists of 153 plans that all have their own objectives and needs. You have structured your portfolio to meet your needs and they have structured theirs to meet their needs.

Bailin reported that the S&P Flagship Fund performed 16.05% compared to the index return of 16%. They are doing exactly what they are supposed to do which is match the index. The SSgA Russell 2000 Index Fund returned 16.36% compared to the index return of 16.35%. Pictet returned 23.07% compared to the index return of 17.32%. They have really come back nicely in the past three years. They are ranked in the 5th percentile for the one-year period.

O'Donovan reported that Galliard returned 6.36% compared to the benchmark of 3.61%. They rank in the 21st percentile for the one-year period. The SSgA TIPS Fund returned 6.96% for the year compared to the index return of 6.98%. Its goal is to match the benchmark and it is doing that. Brandywine returned 13.91% compared to the index return of 1.50%. One of the reasons they outperformed was being out of Japan plus they were also in Mexico, Italy and Ireland. The industry is not happy with the benchmark, but for now it is all there is to compare to. PRISA returned 9.67% compared to the index return of 11.03%. Real estate could be a strong area as the markets start to improve. The SSgA Commodity Fund returned 0.15% compared to the index return of -1.06%. In summary, the Plan returned 13.7% for the 2012 calendar year for a total return on investment of $26 million.

Hartman encouraged the police and fire representatives on the Board to share this information with the Plan participants. This is a tremendous improvement over the past several years. Rushefsky suggested that Manley, Cowherd or she write an article about these results.

Thompson asked if Bailin and O'Donovan were still comfortable with the 7.5% rate of return. Bailin said yes, they are comfortable with that number. Sheppard questioned if that was over a 20-year period. Bailin said it is a long-term number.

Bailin briefly reviewed the transition plan for funding the new allocations.

Thompson made a motion to approve the quarterly investment report as presented by Segal Rogerscasey; 2nd by Hill. Vote all: Yes.

11. <u>Legal Matters – Closed Session, pursuant to Section 610.021, RSMo.</u>

Thompson made a motion to move to closed session at 11:20 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Hill. Vote all: Yes. Open session resumed at 12:05 p.m.

12. <u>John House</u>

House expressed his impatience with how long it is taking to get his review done and get him back to work. He wondered why another person went through the process in a month and he didn't have a doctor's appointment yet. So he made himself an appointment with Dr. Galligos, who the City normally uses. Galligos said he is a good candidate to return to duty. He recommended a functional capacity exam. House said he now has appointments scheduled for the end of the month that were setup by the Plan's nurse consultant. He said he understands the process used for when people go out on a disability. Usually they go to two or three doctors. His frustration is that it takes twice as long to get back into the system as it does to go out. House said he's afraid that he will go to the two Plan doctors and they both will recommend an FCE and then the process will be delayed another month. So he's asking the Board to accept the two doctors' reports that he submitted and go ahead and send him for an FCE. He said then the Board doesn't have to send him to their two doctors. He said if another month goes by it is costing both him and the Plan money. He would like for the Board to also vote that upon completion of a successful FCE that he be returned to duty at the beginning of the next pay period. That way it can happen faster than the next Board meeting. He's frustrated that it's harder to become a credit back to the system than it was to become a debit on the system.

Thompson asked if the nurse consultant had trouble contacting him in the beginning. He said that he had voicemails that were stuck in the Alltel network for three days. He said three of the four were from the nurse consultant from the week before. He said again that he hoped the Board would vote to go ahead and send him for an FCE versus going to the other doctors. Cowherd said he wants House to know that he hasn't been singled out by the Board in any way. He has been treated, as far as we know, consistently with everybody who comes through here. Everybody doesn't get the same circumstance as far as number of physicians. That can vary and that's why there's discretion for the Board. Cowherd wants him to understand that this Board has not done anything to try to single House out and treat him in any special way. He added that the Board knows there has been some delays that they believe have been caused by lack of communication with the nurse consultant. That has slowed up the process some. Cowherd said if there is any thought, and he gets the impression that there is, that we are in some way treating him different, we are not. House said the whole thing is just frustrating because it has been harder to come back than it takes to go out. He said he does believe it was probably a communication problem, but it taking so long is just one of those things that he doesn't think should happen. It's taking the Fund's money and costing him money at the same time. Carter said that the Board has consistently used the same process. House said his life has been on hold, but he doesn't believe there has been any malice.

House asked if the Board would vote today. Cowherd said there would be a short closed session to discuss the matter.

13. Fiduciary Insurance

Manley reported that the fiduciary insurance is up for renewal. The renewal is for the same coverage as before. The only difference is that the premium has increased by 5% to $38,092. Manley recommended renewing the policy. Carter asked if it would be needed if the City indemnifies the Board. Manley said yes. The City is only indemnifying the Board because it has insurance.

Thompson made a motion to approve renewing the fiduciary insurance policy; 2nd by Fenstermaker. Discussion: Cowherd asked if we went through the process again to quote the insurance. Manley said yes. The current holder was the only one willing to bid again. Vote all: Yes.

14. Death Audit Proposal

A proposal was included in the Board packets from Pension Benefit Information. Manley talked with both Wichmer and Mannix-Decker and this doesn't have to be bid out. Manley said that Mannix-Decker is in agreement with doing this. The auditors also recommended the Board start doing this. The cost is $974 a year to continuously monitor all Plan participants.

Thompson made a motion to accept the death audit proposal at a cost of $974 a year; 2nd by Fenstermaker. Vote all: Yes.

15. Disability Form Letters

Manley reminded the Board that it had discussed coming up with some letters to send when an application is received and one when a person is approved for disability. She distributed drafts of each letter. Manley sent the letters to Wichmer for review. Also included was a form for the nurse consultant to use to get all of the doctors' records. Wichmer has reviewed this form as well. Rushefsky questioned if the applicant needs to send all of the records initially and then also the nurse consultant get them as well. Manley said she asked Wichmer about that and he said we want to continue having them turn in the records as well. She said she would take it back to Wichmer and have him give a formal opinion. Cowherd said he doesn't see that getting a big stack of medical records, for what the Board does, is all that helpful. He said he can't make a medical decision. Carter said that some of the ordinance language in the letter is inaccurate. He suggested copying it word for word in the letter.

Thompson made a motion to accept the letters with the suggested corrections; 2nd by Hoffman. Discussion: Carter asked if the Board needed all medical records for unrelated procedures if there is a qualifying event. Cowherd said yes. The Board can't be in a position of picking and choosing what the physician wants to see. Hill said it is standard to look at the whole body. Vote all: Yes.

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

Thompson made a motion to move to closed session at 12:37 p.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Hoffman. Vote all: Yes. Open session resumed at 12:52 p.m.

17. John House Resumed

Cowherd explained to House that the Board feels it needs to proceed with the two physician reviews. Those physicians may or may not decide that an FCE is required. If they do, we will try to get that accomplished prior to the next meeting. The physicians need to make that determination and they need to be independent physicians.

18. Adjournment

Thompson made a motion to adjourn the meeting; 2nd by: Fenstermaker. Vote all: Yes. The meeting was adjourned at 12:54 a.m. on February 14, 2013.

 Secretary Signature: Nikki White