CITY of SPRINGFIELD

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

Minutes
May 9, 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

Cowherd thanked Glenda Hudson, Finance Department, for her years of service to the Plan and its participants. Hudson is retiring at the end of May after nearly 37 years of service to the City of Springfield.

2. Approval Meeting Minutes – April 11, 2013 (open session)

Thompson made a motion to approve the April 11, 2013 minutes as presented; 2nd by Fenstermaker. Vote all: Yes.

3. Approval of Financial Statement Ending March 31, 2013

Mannix-Decker reported that it would likely take a few months to fill Hudson's position in the Finance Department. However, Hudson will be working on special project until January 2014 so she will be available for questions as well as assisting with the audit this fall.

- The cash balance at the end of March was $1,591,589.

- Galliard had an increase of $114,733. The fund returned 0.20% compared to the index return of 0.13%.

- Brandywine had an increase of $175,544. The return was 0.77% compared to the benchmark of -0.48%.

- Entrust had an estimated value of $4,000,000 at month end. They send out their statements very delayed so this is an estimated balance. The performance numbers are available after the 10th of the month, but the actual balance isn't available until 45 days after the end of the month. So it makes it hard to report the numbers on the financial statements. Mannix-Decker said there is nothing that can be done about it because it was stated in their contract. Segal Rogerscasey has not yet supplied the index.

- Pictet had a decrease of ($14,802). The return was -0.08% compared to the index return of 0.82%.

- Prudential had an increase of $214,283. The return was 3.29%. The index report hasn't been received.

- Wells Fargo had an increase of $2,645,555 which was the March sales tax monies that were deposited. Mannix-Decker said she continues to work on the statement issues with Wells Fargo.

- The State Street Russell 2000 NL Fund had an increase of $1,089,971. The return was even with the index at 4.62%.

- The State Street Commodities NL Fund increased by $77,756. The return was even with the index at 0.67%.

- The State Street S&P 500 Flagship NL Fund increased by $2,076,195. The return was 3.76% compared to the index return of 3.75%.

- The US Tips NL Fund increased by $25,061. The return was 0.26% compared to the index return of 0.28%.

- Total Net Assets at the end of March were $246,649,142 which is an increase of $5,574,037. When comparing to the beginning of the fiscal year, the Plan is has seen an increase of $34,739,300.

- The sales tax contribution for the month totaled $2,257,973.

- Gain/Loss in market value, including managers' fees was $3,704,296 for the month. Total additions to the Plan were $7,332,707.

- Benefit payments totaled $1,527,294. Return of contributions totaled $149,968. Administrative expenses totaled $81,408. This includes the insurance payment.

- Net increase in Plan assets totaled $5,574,037 which is a 2.3% increase.

Mannix-Decker stated that she's not real pleased with the U.S. Bank custodial services because of the delays in the statements. She said it is time to rebid the trustee services and she would suggest doing so.

Thompson made a motion to approve the financial statement ending March 31, 2013; 2nd by Fenstermaker. Vote all: Yes.

4. Review of Retirement Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Robert Davidson	Age & Service	4/17/2013	6/21/2013	Fire

Thompson made a motion to accept Robert Davidson's age and service retirement application; 2nd by Hoffman. Vote all: Yes.

5. Retirement Calculations

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Danny Harbeston	Police	Early Retirement	9.03	$410.86	$371.10

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

6. Approval of Return of Contributions

Danny Harbeston	Early Retirement – 9.03 yrs.	Police	$12,841.75

Gillette made a motion to approve the return of contribution for Danny Harbeston; 2nd by Thompson. Vote all: Yes.

7. Administrative Director's Report

MAPERS – the July meeting will need to be moved to the 18th due to the MAPERS Conference being on the second Thursday. Thompson made a motion to move the July meeting to the 18th; 2nd by Cowherd. Vote all: Yes.

Manley informed the Board that her contract is up for renewal at the end of June.

Manley reported that Jason Bailin has left Segal Rogercasey. His replacement will be at today's meeting to give the quarterly investment report.

Manley reported that per Sheppard's request, the revised IPS will be sent to all of the investment managers.

8. Additional Funding Contribution (AFC)

As required by the Code, Milliman re-calculated the AFC to be effective July 1, 2013. The calculations are based on the assumptions, data and Plan provisions contained in the July 1, 2012 actuarial valuation. They calculated the unfunded accrued liability associated with the extra three-tenths multiplier as $5.2 million, and the cost of benefits expected to accrue in the current year as approximately $517,000. The unfunded accrued liability was amortized on a closed based, using 20 years effective July 1, 2010. However, since the Plan is closed to new employees, the AFC can only be assessed on this closed (and shrinking) group of employees. As a result, and consistent with the procedure established in 2010, the unfunded accrued liability for the extra three-tenths multiplier was amortized using a level percent of payroll, applied to the projected future payroll of the closed group. This methodology results in an AFC of 6.13% versus the current AFC of 4.85%.

The primary reasons for the increase are as follows:

- Increase in the normal cost due to changing demographics of the participants of the Plan.
- Investment losses since July 1, 2009 – the return on an actuarial basis for the years ending June 30, 2010 through 2012 were 1.3%, 6.99% and 7.28% respectively, as compared to the expected return of 7.5%.
- Projected payroll as measured in the 2012 valuation is lower than what was projected in the 2009 valuation. As a result, the unfunded liability is spread over less payroll, increasing the amortization as a percentage of pay.
- Negative experience (though reduced from prior years) with regard to pay spiking as retirement.
- Retiree mortality rates lower than projected.

Steck asked for some clarification on the calculation and the numbers used. Gillette provided an explanation and stated that their probably needs to be some discussion amongst the associations and their members because of the nature of a closed plan and decreasing payroll. Rushefsky said there have been discussions between the associations and the City, and an agreement was signed. Dorrell said the problem with that is there are people who aren't members of the association and those people never agreed to it because they aren't represented by the associations. Carter said that was discussed when the agreement was signed. The associations were determined to be designated bargaining units for everyone who is eligible and that the City is legally obligated to consult with those particular associations. The City isn't allowed to negotiate or consult with another organization. Dorrell said it is going to get to a point that it will be ridiculous for the employees to try to fund the AFC. He said it just doesn't make sense mathematically. He said the agreement was made when the Plan was open. Several corrected him and said it was actually done after the Plan had closed.

Steck asked for the actual formula used for the AFC calculation. Gillette said in Milliman's defense, it is not them not wanting to give the calculation that is the issue. Even if they give you all of the information, it still won't make sense to you and you still won't be happy with the answer. It's the nature of actuarial work. He's not saying don't ask the questions, but he doesn't think anyone will ever feel satisfied with the answer Milliman can provide. Rushefsky said she has problems with that. They are clearly using some sort of formula. Gillette said it is very complicated and Zwiener studied 8-12 years to become an actuary. It's something that takes years to learn. He added that Zwiener has tried numerous times to explain the buyback calculations and even though he clearly understands it himself, there is still frustration amongst the Board. Cowherd said what Gillette is trying to say is that you could give the same information to another actuary to perform the calculations and the answers would be the same. Cowherd said if the associations have any doubt, then they can hire an actuary to review the numbers. Gillette said it is not the calculation that the associations need to focus on. It's the assumptions and the agreement. It's just not a reasonable place to be. He thinks if the associations went to a different actuary, the results would be very similar.

Mannix-Decker said that the AFC effective date needs to be discussed. It is supposed to be effective July 1, but unfortunately there isn't a payroll that starts on July 1. So the options are for the change to be effective on June 30 or July 14. Cowherd asked if there was a pressing reason for either date. Mannix-Decker said June 30 is closest to July 1, but if the City increase is passed it will be effective July 14. She said the City typically starts increases on the first full pay period of the fiscal year.

Thompson made a motion to approve the AFC calculation of 6.13% to be effective July 14, 2013; 2nd by Gillette. Vote all: Yes.

9. <u>Quarterly Investment Report – Segal Rogerscasey</u>

Dave O'Donovan, Segal Rogerscasey, introduced Kristopher Katarski who is taking Jason Bailin's place as a consultant for the Plan. Katarski has been with the firm for eight years. O'Donovan reported that the S&P 500 is up 10.6% for the first quarter of 2013. Since March 2009, it is up 153%. It's really just getting us back to where we were five years ago. The Russell 2000 is up 12.4% for the first quarter and the MSCI EAFE is up 5.1%.

The Plan is up 5% for the first quarter of 2013. It is up 12% or $24,970,000 for the fiscal year. For the first quarter, the Plan beat its benchmark by 36 basis points. When compared to other plans, the more risk that was taken in the first quarter, the better the results. Katarski reported that the domestic equities did really well in the first quarter of 2013 and were up 11.13% and 14.28% for the year. The S&P 500 Flagship Fund was up 10.61% for the quarter and 14% for the year. The Russell 2000 Index Fund was up 12.42% for the quarter and 16.33% for the year. International Equity was up 4.31% for the quarter and 12.15% for the year. Pictet was up 5.09% for the quarter and 12.99% for the year. Wells Fargo was down -0.83% for the quarter.

Domestic Fixed Income was up 0.36% for the quarter and 4.95% for the year. Galliard was up 0.51% for the quarter and 5.17% for the year. The TIPS fund was down -0.38% for the quarter. Brandywine was down -0.46% for the quarter, but up 8.10% for the year. PRISA was up 3.29% for the quarter and 9.68% for the year. The SSgA Commodity Fund is down -1.16% for the quarter and -1.91% for the year. Quarterly return numbers for Entrust were not available. O'Donovan said that overall they don't have any issues with any of the managers. They still think of them as good quality players for the Plan. He said the two things to remember are that the Plan is up 12% for the year with an added value of nearly $25 million.

O'Donovan said they will be working with all of the managers on the new IPS statement to determine if the differences are an issue. He doesn't foresee any issues, but this is something Sheppard wants Segal Rogerscasey to do and they are going to do it. Next quarter they will show the Board the differences and supply comments on them.

Gillette said is there anything that has happened since the stock market jumped so dramatically that would cause Segal Rogerscasey to think we should accelerate reconsideration of asset allocation because the fact that we are a closed plan? We have a much greater percentage of our unfunded liability covered than we did before. O'Donovan said that is part of what they will be reviewing over the next quarter to see if they come up with any other alternatives or not. Thompson asked if there was danger in getting too conservative too quickly if the Plan has to last until around 2080. O'Donovan said their research people have taken that into account when making recommendations. Carter asked if they were still comfortable with 7.5%. O'Donovan said yes, they haven't changed their thoughts on that at all. He thinks that is still very reasonable.

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

10. Other Business

Cowherd said that White is in need of a new shredder. The model she is looking at is around $300, but White said with a coupon she could possibly get it for less. Thompson made a motion to approve purchasing a new shredder not to exceed $300; 2nd by Fenstermaker. Vote all: Yes.

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

Thompson made a motion to move to closed session at 10:13 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Gillette. Vote all: Yes. Open session resumed at 10:30 a.m.

12. Fire Department Light Duty

Wichmer reported that he met with Chief Hall regarding light duty. Hall said if a person can give him any timeframe at all as to when they will receive treatment and how long the recovery will be, he's fine with light duty during that time frame. It's the open-ended, I don't know when I will get treatment and I don't know when I will recover that is the problem. In his mind that is a disability and he can't deal with that. If a person has a diagnosis and a treatment plan, he will work with them. He understands he can't treat them as disabled because of that. He has an issue with the ones that don't know when they will receive treatment. Give him a timeframe and Hall will be fine with it. Cowherd asked if it was the same in the police department. Wichmer said he hasn't talked to the chief, but he doesn't think there is an issue in that department.

13. Disability Application – Andrew McPherson

Steck made a motion to approve the disability application for Andrew McPherson; 2nd by Thompson. Vote all: Yes.

Thompson made a motion to send McPherson to three physicians for review; 2nd by Fenstermaker. Vote all: Yes.

Thompson made a motion to approve pre-payment for McPherson's appointments should they be required; 2nd by Fenstermaker. Vote all: Yes.

14. Adjournment

Thompson made a motion to adjourn the meeting; 2nd by Fenstermaker. Vote all: Yes. The meeting was adjourned at 10:40 a.m. on May 9, 2013.