CITY of SPRINGFIELD

POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO
840 Boonville
Springfield, Missouri 65801
Voice Mail (417) 831-8901
Box Number 44140

Minutes
October 17, 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

2. Approval Meeting Minutes – September 12, 2013 (open session)

Thompson made a motion to approve the September 12, 2013 as presented; 2nd by Fenstermaker. Vote all: Yes.

3. Approval of Financial Statement Ending August 31, 2013

Manley introduced Maryjo Kerringer as Glenda Hudson's replacement. Hudson is currently training Kerringer on the Pension Board duties. Manley reported on the following items of interest:

- The cash balance at the end of August was $4,653,980. In September, $4 million was deposited into Blackstone.

- Brandywine had a decrease of ($242,496). The fund returned -0.40% compared to the index return of 1.96%.
- Blackstone's value at month end was $4,000,000.
- Galliard decreased ($4,111,241). The return was -0.28% compared to the benchmark of -0.42%.
- Entrust had a decrease of ($18,401). The return was -0.11% compared to the index return of -0.69%.
- Pictet decreased by ($259,067). The return was -0.41% compared to the index return of -1.32%.
- Pyramis' value at month end was $4,000,000. This was the initial funding deposit.
- Wells Fargo had a decrease of ($281,099). The return was -2.43% compared to the benchmark of -1.16%.
- The State Street Russell 2000 NL Fund decreased by ($2,753,228). The return was even with the index at -3.18%.
- The State Street Commodities NL Fund increased by $388,831. The return was 3.38% compared to the index of 3.40%.
- The State Street S&P 500 Flagship NL Fund decreased by ($3,657,881). The return was -2.89% compared to the index of -2.90%.
- The US Tips NL Fund decreased by ($137,071). The return was even with the index at -1.45%.
- The August sales tax was $1,540,293.
- Total Net Assets at the end of August were $256,851,807 which is a decrease of ($1,534,125).
- Gain/Loss in market value, including managers' fees was ($1,019,679) for the month. Total additions to the Plan were $145,502.
- Benefit payments totaled $1,583,400. Return of contributions totaled $56,877. Administrative expenses totaled $39,350.
- Net increase in Plan assets totaled ($1,534,125).

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

4. Retirement Calculations

Surviving Spouse

Name	Spouse	Monthly Pension Amount	Survivor's Pension Monthly Amount
John Smith	Georgia Smith	$2,210.58	$1,987.97

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

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Wayne Woods	Police	Age & Service	22.56	$3,310.05	$2,648.04

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

5. Approval of Return of Contributions

Wayne Woods	Age & Service – 22.56 yrs.	Police	$110,896.35

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

6. Administrative Director's Report

Manley distributed a mission statement (on file) provided by the audit subcommittee. Carroll reported that a meeting is scheduled to meet with BKD regarding the audit. Wichmer suggested using another word rather than "charter". The Board decided to replace "charter" with "mission statement". They also replaced "Pension Fund" with "City".

Fenstermaker made a motion to approve the mission statement with the noted amendments; 2nd by Thompson. Vote all: Yes.

Manley updated the Board on the death audit contract. PBI agreed to all of the changes that the Board requested. Both Cowherd and Wichmer have reviewed the contract and do not have any other concerns with it. She recommended the one-year contract of $1,128.

Carroll made a motion to accept the PBI contract as presented; 2nd by Thompson. Vote all: Yes.

Manley reported that she is working to update the Plan booklet to take out all references to "prior to July 1, 2006". She will send out a document with the suggested changes marked up for the Board's review. She hopes to have it done prior to year-end.

Fire Overtime Calculations - The fire overtime project is taking a little longer per person than anticipated. It's taking an average of three hours per person rather than two. Maerz said they hope to have the project done in November.

Custodial Services RFP – Manley stated that RFP was distributed to the Board via email for review. Hartman requested changing that the firm has three years of experience to the firm or parent company has three years of experience. There have been some recent mergers of companies. Manley said the audit subcommittee has endorsed the RFP and recommends approval from the Board.

Fenstermaker moved for approval of the custodial services RFP; 2nd by Hartman. Discussion: Thompson questioned if U.S. Bank is falling down on the job. Wichmer said that is a closed-session topic. Vote all: Yes.

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

Thompson made a motion to move to closed session at 8:52 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Fenstermaker. Vote all: Yes. Open session resumed at 9:30 a.m.

8. Actuarial Valuation as of June 30, 2013

Michael Zwiener of Milliman distributed the Actuarial Valuation report as of June 30, 2013. He reported that it was a very good year for the Plan. Investments returned in excess of the assumed rate of return. The unfunded accrued liability as of June 30, 2012 was $144,933,776. As of June 30, 2013, it was 124,532,151. It was reduced by over $20 million. The expected unfunded accrued liability was $151,701,843. This means that the sales tax contributions are still needed. The unfunded liability hasn't shrunk enough to not have the extra funding.

The sales tax revenue was $28,978,198. The investment income was $3,913,198. Another item to note was the inactive mortality. There was about a $3 million loss. That is one of the reasons the assumptions need to be reevaluated in the coming year. People are living longer than the current mortality table that is being utilized.

Zwiener noted that the market value of plan assets were up by over $40 million. The net market rate of return was 10.5% for the period. The AFC was changed from 4.85% to 6.13%, for a total member contribution of 14.63%. The number of active participants decreased from 373 in the previous valuation to 353 in the current valuation. The number of retirees and beneficiaries increased from 494 to 497. We have cleared the 60% funded status which is very positive.

Zwiener noted that the market value of assets four years ago was $139 million and we are now at $254 million. The actuarial value of assets was $160 million in 2010 and is now $251 million. This puts the market and actuarial values back in sync which is very good. The contribution rates although still very high, are going in the right direction. What is happening is very much in line with the expectations.

Carter asked if Zwiener knew exactly where we were projected to be five years ago. Zwiener said the Plan is at 67% funded right now. The projections showed that with the sales tax in place for five years it would obviously help, but not completely solve the problem. The 10-year sales tax projections showed that it would probably be more than what is needed. However, that is based on 7.5% returns. Zwiener said that he has reviewed the past 10 years and the average rate of return is 4.67% over the 10-year period. He again noted that the Board should take a look at the assumptions prior to the next valuation. Zwiener reminded the Board that the AFC information is kept track of on annual basis in a separate account. That information is noted on page 12 of the actuarial valuation. The recommended contribution is obtained by adding the entry age normal cost with the amortization payment as shown on page 14 of the report.

Rushefsky entered the meeting at 9:50 a.m.

Zwiener reported that the lowest funding ratio was in 2009 at 46.5%. It is now at 66.8% which is great progress. It's still low, but we are on the upward trend. Zwiener reminded the Board about the new GASB rules. It will little affect on the Plan's financial statements, but will have a larger affect on the City's. The $124 million unfunded liability will now have to be shown as a balance sheet liability rather than a footnote on the City's financial statements.

Zwiener stated that his expectation is that the rate of return assumption and the annual pay increase will both need to be modified going forward. It is his recommendation that the assumptions are reviewed every five years. He said the last time it was done was in 2009. He said that Mannix-Decker has indicated that she needs the 2014 valuation report in September rather than October. He recommended doing the assumption study in late winter or early spring rather than waiting until the end of the fiscal year and being under pressure and rushing the timing. Some questioned why the report was needed in September rather than October. Possibly the new GASB reporting requirements are why Mannix-Decker needs the report sooner. Zwiener said that if the report isn't required until October or November, then the timeline utilized last time will work, but what he doesn't want to happen is there be significant recommendations presented in September and the Board not have sufficient time to review before the final actuarial valuation is needed. Zwiener said he can have the assumption study done in 30-60 days if the Board decides to utilize the numbers through June 30, 2013. The Board decided that Mannix-Decker's input is needed and the timeframe should be further discussed. Zweiner said that he doesn't need an answer today. It's just something he would like for the Board to start thinking about.

Fenstermaker asked if the assumptions should be looked at every three years rather than five. Zwiener said that every five years is the standard. Rushefsky and some others recalled the Board having previous discussions about looking at the assumptions more frequently. Fenstermaker thought those discussions came from the sales tax subcommittee last year.

Thompson made a motion to approve the Actuarial Valuation as of June 30, 2013 as presented by Milliman; 2nd by Fenstermaker. Vote all: Yes.

9. Adjournment

Fenstermaker made a motion to adjourn the meeting; 2nd by Thompson. Vote all: Yes. The meeting was adjourned at 10:15 a.m. on October 17, 2013.

10. Reconvene Meeting

Cowherd called the meeting back to order at 10:18 a.m.

11. Retiree Nominations

White reported that only one retiree nomination was received from Ron Hoffman. Two positions are available. The ballots will be sent with the October checks. Hoffman said that the ballots can still be sent and write-in votes are allowed.

Fenstermaker made a motion to accept Ron Hoffman's retiree nomination; 2nd by Thompson. Vote all: Yes.

12. Adjournment

Fenstermaker made a motion to adjourn the meeting; 2nd by Thompson. Vote all: Yes. The meeting was adjourned at 10:20 a.m. on October 17, 2013.