CITY of SPRINGFIELD

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

Minutes
September 11, 2014

1. Call to Order

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

Attendance

Members	Representation	Present	Absent
Josh Hartman	President	X	
Charlie Cowherd	Citizen	X	
Paul Carroll	Citizen	X	
James Gillette	Citizen		X
Marilyn Hill	Citizen	X	
Ron Hoffman	Retiree	X	
Tony Kelley	Fire	X	
Gus Krafve	Citizen	X	
Scott Steck	Police	X	
Ed Cantrell (NV)	Retiree	X	
Adam Carter (NV)	Fire	X	
Grant Dorrell (NV)	Police	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 – August 13, 2014 (open session)

Cowherd made a motion to approve the August 13, 2014 minutes as presented; 2nd by Carroll. Vote all: Yes.

3. Approval of Financial Statement Ending July 31, 2014

Mannix-Decker reported on the following items of interest:

- The cash balance at the end of July was $6,135,981.

- The State Street S&P 500 Flagship NL Fund decreased by ($620,324). The return was even with the index at -1.38%.
- The State Street Russell 2000 NL Fund decreased by ($5,363,592). $4 million was transferred out. The return was -6.03% compared to the benchmark of -6.05%.
- Pictet decreased by ($1,279,194). The return was -2.31% compared to the index return of -1.97%.
- Wells Fargo had an increase of $1,300,297. $1 million was transferred in. The return was 1.30% compared to the benchmark of 1.93%.
- Galliard decreased ($55,859). The return was -0.35% compared to the benchmark of -0.34%.
- The US Tips NL Fund increased by $1,000,855. The return was even with the index at 0.03%. $1 million was transferred into the fund.
- Brandywine had an increase of $710,804. The fund returned -0.91% compared to the index return of -1.25%. $1 million was transferred into the fund.
- Pyramis had a decrease of ($8,264). The return was -0.08% compared to the index at 0.12%.
- The State Street Commodities NL Fund decreased by ($854,947). The return was -4.99% compared to the index at -4.98%.
- Blackstone had an increase of $1,032,713. $1 million was transferred in. The fund returned 0.24% compared to the index return of -0.39%.
- Entrust had a decrease of ($92,082). The return was -0.50% compared to the index return of -0.39%.
- The due from other funds amount of $1,788,383 is sales tax monies that were received in August, but earned on sales that were made in June.
- Employee contributions for the month totaled $212,640 and employer contributions totaled $508,709.
- Gain/Loss in market value, including managers' fees was ($4,708,584) for the month. Total additions were ($3,982,084)
- Benefit payments totaled $1,664,198. Refund of employee contributions totaled $468,077. Administrative expenses totaled $21,772. Net increase to the Plan was ($6,147,775).
- Total Net Assets at the end of July were $303,500,905.

Cowherd made a motion to approve the financial statement ending July 31, 2014; 2nd by Carroll. Vote all: Yes.

4. <u>Review of Retirement Applications and Calculations</u>

Age & Service Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Scott Steck	Age & Service	09/11/2014	10/18/2014	Police
Ronnie Long	Age & Service	08/22/2014	08/23/2014	Police
Jerry Tracy	Age & Service	09/03/2014	10/21/2014	Fire

Cowherd made a motion to accept the age and service applications presented above; 2nd by Kelley. Vote all: Yes.

Name	Type	Monthly Pension Amount	Survivor's Pension Amount	Partial Pension Amount
Ray Nichols	Surviving Spouse	$4,542.63	$3,315.55	$1,818.21
Carl Peak	Surviving Spouse	$6,335.53	$2,493.23	$1,849.82

Kelley made a motion to accept the calculations presented above; 2nd by Carroll. Vote all: Yes.

Final Checks

Name	Monthly Pension Amount	Final Check Amount
Carol Bass	$3,651.19	$2,591.17

Carroll made a motion to accept the final check calculation presented above; 2nd by Kelley. Vote all: Yes.

Name	Department	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Homer Walker	Fire	Duty Disability	20.01	$3,113.87	$1,506.71

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

It was questioned how Steck's retirement will affect his position on the Board. Manley said that Steck can serve through the October board meeting. His position is up for election in December. She questioned if it would be appropriate to let Dorrell fill in for two months so that we wouldn't have to have two elections within two months. Dorrell can still run for the voting position if he wishes. Hartman made a motion to allow Dorrell to serve out Steck's voting position until the election is held in December; 2nd by Kelley. Vote all: Yes.

5. Administrative Director's Report

Manley stated that last month the Board discussed John House's retirement calculation and decided to not count the months that there was zero on his salary history. The question has since come up on how to hand non-paid military time. Wichmer's opinion was that they would be treated the same as House. Kelley said that he thinks USERRA would come into play and they state that people who serve can't be financially harmed because of their service. Several agreed.

Manley reported that the income verification process is starting.

 Secretary Signature: Nikki White

6. Experience Study - Assumed Rate of Return

A memo from Milliman regarding the potential assumption changes was distributed. Hartman said that within the memo Milliman requests that we lower the rate of return to 7.0%. He reminded the board that we asked for a 15-year history of the rates and it was pretty evident that the returns were not at the 7.5% mark. The last five years have been good though. Zwiener said he would let 7.5% slide this year, but next he will want a lowered assumed rate of return next year. He also threw out the idea of going to 7.25%, but he still believes that in another five years it will need to go to 7.0%. Hartman said this will have an impact on the AFC and the DROP program as far as our funded ratio.

Carroll said he would be leaning toward the 7.25%. He said if we leave it at 7.5% this year we know that Milliman will be coming back to us to lower in next year. He thinks 7.25% starts that process without it being too drastic. Rushefsky said the Board will need to take this Council to explain it. She said she's tried to prepare them for this change for the past two years in her reports. She thinks Hartman and Manley need to attend a Council luncheon so that Council has an idea of where we are going with this.

Manley said that Shepard's response was that legally the Board would have the best ground to stand on if we changed it to 7.0%. He said he could explain and support the other options as well, but he just he feels that legally our best position is at 7.0%. Kravfe said that after looking at the historical numbers it seems irresponsible not to lower it at all. Hartman said that he feels if you're going to make a change, then make the change you need to make which is 7.0%. He knows we need to ultimately be there and it would be better to do it all at once instead of biting off small chunks at a time. He said he doesn't think it's going to be popular any way we look at it. At the end of the day there are certainly grounds for lowering it. Rushefsky added that doing it all at one time is a good idea in her opinion whether it be this year or next year. Cowherd said that he feels we tried very hard to communicate that this was a possibility. He doesn't think anybody can be too surprised. Manley said that at the 7.0% rate it is projected that we will reach 100% funding at the end of the fifth year of the tax. We would not finish early like it was anticipated with 7.5%.

Cowherd made a motion to change the assumed rate of return to 7.0%; 2nd by Hartman. Vote all: Yes, with the exception of Steck and Kelley who voted no.

Manley informed the Board that they needed to take action on the other recommendations mentioned in the memo. This included the salary increase assumption. Assumed future pay increases would be decreased by ½ of 1% per year to better reflect recent experience. A one-time adjustment is made to the final average pay to reflect certain amounts added to a member's final paycheck. We were provided each member's maximum holiday balance amount in 2005. We've used triple that amount as an estimate for the special one-time amounts going into the final check. To better reflect actual experience, Milliman proposes to assume quadruple the 2005 maximum holiday account balance for police officer.

The retirement rate was the other proposed change. Milliman proposed minor modifications to the expected ages at which active members will retire to better reflect actual recent experience.

Kelley made a motion to accept the assumption changes as recommended by Milliman; 2nd by Carroll. Vote all: Yes.

7. Invoices

Baron Cardiology Group		
Disability Exam- Homer Walker	Amount: $1196.00	Work completed 08/07/2014-08/13/2014

Encore		
Disability – Homer Walker	Amount: $1047.31	Work completed 05/14/2014-08/25/2014

Milliman	
Experience Study, Buyback Calculations, Review of initial DROP proposal	Amount: $21,926

Cowherd made a motion to accept the invoices as presented above; 2nd by Carroll. Vote all: Yes.

8. DROP Proposal

Steck presented Manley with a revised copy of the proposal from SPOA. He said it is still a matter of the Board not wanting to act on it until the City and the employee groups act on it and vice versa. The only difference in this proposal is it is limited to those with 25 years of service. There is also some clarification as to when they will receive the deferred amounts. If someone says they are going to enter the DROP program and then after two years they decide to leave, the person won't have access to the money until after the fifth year since they agreed to a five-year DROP. The only caveat is if the person dies or becomes disabled then the employee or the beneficiaries will have access to the money. They would start drawing their regular pension if they decided to leave the DROP program, but they wouldn't get the deferred payments until the end of the fifth year.

Steck said that he thinks potential disabilities would be handled by work comp. Kelley said that wouldn't necessarily be the case for fire employees. There's the heart and lung bill, cancer, etc. Fire isn't currently involved in these discussions though. How to handle disabilities would have to be determined. Manley will distribute a copy of the revised proposal. Milliman will be here in October and maybe at that time the Board can determine whether or not to do the study.

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

Hartman made a motion to move to closed session at 9:26 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Carroll. Vote all: Yes. Open session resumed at 9:33 a.m.

10. Adjournment

Kelley made a motion to adjourn the meeting; 2nd by Carroll. Vote all: Yes. The meeting adjourned at 9:34 a.m. on September 11, 2014.

 Secretary Signature: Nikki White