CITY of SPRINGFIELD

POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO
840 Boonville
Springfield, Missouri 65801
(417) 839-7559

Minutes
November 13, 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
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.

Dorrell was the voting police representative in the absence of a voting member since Scott Steck's retirement.

Hartman thanked Steck for his service to the Pension Board and congratulated him on his retirement.

2. Approval Meeting Minutes – October 9, 2014 (open session)

Carroll made a motion to approve the October 9, 2014 minutes as presented; 2nd by Kelley. Vote all: Yes.

Dorrell pointed out that he thought Jefferey Schwerdt's years of service should be listed at 20.57 instead of 25.57. Kelley made a motion to amend the earlier motion to approve the minutes upon verification of Schwerdt's years of service; 2nd by Carroll. Vote all: Yes.

3. Approval of Financial Statement Ending September 30, 2014

- The cash balance at the end of September was $8,949,318. Mannix-Decker would like to visit with SRC about where to invest some of the cash.

- The State Street S&P 500 Flagship NL Fund decreased by ($649,359). The return was -1.39% compared to the benchmark of -1.40%.

- The State Street Russell 2000 NL Fund decreased by ($1,201,844). The return was -6.07% compared to the benchmark of -6.05%.

- Pictet decreased by ($2,385,784). The return was -4.53% compared to the index return of -3.84%.

- Wells Fargo had a decrease of ($2,003,787). The return was -7.64% compared to the benchmark of -7.41%.

- Galliard decreased ($180,525). The return was -0.45% compared to the benchmark of -0.39%.

- The US Tips NL Fund decreased by ($347,502). The fund returned -2.49% compared to the index return of -2.5%.

- Brandywine had a decrease of ($1,074,864). The fund returned -3.43% compared to the index return of -4.40%.

- Pyramis had a decrease of ($231,372). The return was -2.13% compared to the index at -2.41%.

- The State Street Commodities NL Fund decreased by ($1,010,153). The return was -6.22% compared to the index at -6.23%.

- Blackstone had an increase of $66,734. The fund returned 0.47% compared to the index return of -0.09%.

- Entrust had a decrease of ($73,738). The return was -0.39% compared to the index return of -0.09%.

- Employee contributions for the month totaled $248,769 and employer contributions totaled $594,266.

- Gain/Loss in market value, including managers' fees was ($8,747,550) for the month. Total additions were ($5,069,776).

- Benefit payments totaled $1,708,170. Administrative expenses totaled $22,638. Net increase to the Plan was ($6,800,584).

- Total Net Assets at the end of September were $299,651,832.

Carroll made a motion to approve the financial statement ending September 30, 2014; 2nd by Hoffman. Vote all: Yes.

4. Review of Retirement Applications and Calculations

Age & Service Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
David Minnehan	Age & Service	10/28/2014	01/23/2015	Fire

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

Final Checks

Name	Monthly Pension Amount	Final Check Amount
Don Eskew	$2,425.66	$1,721.44
Sherrill Lloyd	$1,425.76	$597.90

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

A surviving spouse application and calculation was presented for Donald Eskew.

Name	Type	Monthly Pension Amount	Survivor's Pension Amount	Partial Pension Amount
Donald Eskew	Surviving Spouse	$2,425.66	$2,292.08	$664.44

Kelley made a motion to accept the surviving spouse application and calculation for Eskew as presented above; 2nd by Carroll. Vote all: Yes.

Age & Service Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Scott Steck	Age & Service	22.55	$4,254.49	$1,784.14
Chris Thompson	Age & Service	24.58	$4,221.15	$2,042.49

Thompson's initial calculation had the wrong years of service, but a new calculation was presented during the meeting.

Kelley made a motion to accept the age and service calculations presented above upon final verification from Finance on Thompson's calculation; 2nd by Carroll. Vote all: Yes.

5. Approval of Return of Contributions

Name	Dept.	Type	Years of Service	ROC
Chris Thompson	Fire	Age & Service	24.58	$125,447.79
Scott Steck	Police	Age & Service	22.55	$134,093.80

Kelley made a motion to approve the return of contributions as presented above; 2nd by Hill. Vote all: Yes.

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

Kelley made a motion to move to closed session at 8:56 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Carroll. Vote all: Yes. Open session resumed at 9:21 a.m.

Dorrell exited the meeting during the closed session. Cantrell exited the meeting at 9:22 a.m. and did not return.

7. Financial Audit - BKD

BKD presented the annual audit as June 30, 2014 (on permanent file). They issued an unmodified or clean opinion on the financial statements. There were no matters that were reportable. They didn't propose any adjustments. It was noted that the Plan has adopted GASB 67. BKD did note that during their testing they observed a few participants that lacked adequate documentation of salary and calculation of benefit payment amount. These participants began receiving benefits before 1984. They also noted that the Plan's investment allocation is in line with the ranges in the Investment Policy Statement by asset type, but the target allocation percentages by sub-asset classes were not met at year end. The Plan had differentials greater than three percent for U.S. Equities, Core Fixed Income and Long-term Fixed Income.

Carroll made a motion to accept the financial audit as presented by BKD; 2nd by Kelley. Vote all: Yes.

8. Investment Manager Presentation – Pictet

Charles Price and John Maratta from Pictet Asset Management presented a review of their business model and investment strategies. They reviewed their portfolio profile and approach. A full audio recording of the presentation is on permanent file.

9. Police and Fire Nominations

Robert McPhail submitted his nomination for the voting police representative. Adam Carter submitted his nomination for the non-voting fire member. The election will be held the first week in December.

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

10. Quarterly Investment Report – Segal Rogerscasey

Katarski reported that it was a tough quarter in the markets. The Fund's investment performance was down three percent. The beginning market value was $298,913,000 and the ending market value was $290,688,000. The policy index return for the quarter was -2.94. The SSgA S&P 500 Flagship Fund returned 1.12 compared to the index return of 1.13. The Russell 2000 Index Fund returned -7.37 compared to the benchmark of -7.36. Pictet returned -7.91 compared to the index of -5.88. Wells Fargo returned -3.31 compared to the benchmark of -3.50.

Galliard's return for the quarter was -0.08 compared to the index of 0.03. The SSgA Tips Fund returned -2.05 compared to the benchmark of -2.04. Brandywine's return was -3.03 compared to the index of -5.38.

Pyramis returned -2.18 compared to the index of -0.59. PRISA returned 3.17 compared to the benchmark of 3.46. The SSgA Bloomberg Commodity Fund returned -11.88 compared to the benchmark of -11.83. EnTrust returned -0.87 compared to the index of 0.23. Blackstone returned 1.44 compared to the index of 0.23.

Boucek presented an overview of International Small Cap Equity and Global Real Estate Investment Trusts (REITs). Persuant to the recent asset/liability study that formed the basis of the current target allocations for the Fund, we have discussed modifications that will not materially alter the overall risk/return profile of the portfolio, but will provide additional diversification. An investment in emerging markets is not the same as investing in small companies. There are two primary benchmarks used in the small-cap space, the S&P Developed ex-U.S. Small Cap and the MSCI ex-USA Small Cap. The benchmarks converged over the years and today reflect minor differences. International small cap stocks currently comprise over 3,600 companies (compared to more than 900 international large cap stocks) within 22-24 countries.

Hill left the meeting at 10:55 a.m. and did not return.

Over the past two decades, liquidity in the international small cap market has increased by more than 500%. International small cap stocks are under-researched relative to international large cap stock thus active management has also been able to provide attractive excess returns. Some of the familiar small cap companies include Hugo Boss, IMAX, Logitech, Mizuno, PUMA and Seiko. International small cap equities offer diversification benefits from traditional large cap international equity, as companies are more subjected to trends within their home country instead of global factors.

Kelley left the meeting at 11:15 a.m. and did not return.

The second asset class that Boucek mentioned was Global Real Estate Investment Trusts (REITs). He believes there should be a mix of public and private real estate. PRISA is the private real estate that is already in the Fund's portfolio. He suggested complimenting that with public real estate. There are lower correlations to other asset classes and low correlations from currency exposure. Some of the drawbacks are liquidity, under representation and high correlations with equity market.

Boucek added that the large variability in returns provides active management with an opportunity to underweight or overweight regions. While Global REITs have lagged the U.S. REIT market over the 15-year period, SRC believes they will provide stronger relative results in the future as well as diversification benefits. The Fund currently has a five percent allocation to real estate. Boucek would suggest considering a two percent allocation to public real estate and three percent to PRISA which is private.

Manley suggested that the investment subcommittee have a meeting to discuss the options and bring a plan back to the full Board.

11. Adjournment

The meeting adjourned at 11:32 a.m. on November 13, 2014.