CITY of SPRINGFIELD

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

Minutes
June 11, 2015

1. Call to Order

Hartman called the meeting to order at 8:30 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		
Ron Hoffman	Retiree	X	
Tony Kelley	Fire	X	
Gus Krafve	Citizen	X	
Chris McPhail	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
Rhonda Lewsader (NV)	Law		X
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

2. Approval Meeting Minutes – May 14, 2015 (open session)

Carroll made a motion to approve the May 14, 2015 minutes as presented; 2nd by Gillette. Vote all: Yes.

3. Approval of Financial Statement Ending April 30, 2015

- The cash balance at the end of April was $14,605,397. The cash is high in anticipation of funding the new long term bond manager

- The State Street S&P 500 Flagship NL Fund increased by $460,808. The return was even with the index at 0.96%.

- The State Street Russell 2000 NL Fund decreased by ($536,105). The return was -2.53% compared to the index return of -2.55%.

- Pictet increased by $2,769,397. The return was 5.63% compared to the benchmark of 4.08%.

- Wells Fargo had an increase of $1,339,159. The return was 5.80% compared to the benchmark of 7.69%.

- Galliard increased $33,383. The return was 0.09% compared to the index return of -0.01%.

- The US Tips NL Fund increased by $117,454. The return was 0.70% compared to the index at 0.74%.

- Brandywine had an increase of $321,404. The fund returned 1.10% compared to the index return of 1.88%.

- Pyramis had an increase of $412,118. The return was 3.02% compared to the index at 1.97%.

- The State Street Commodities NL Fund increased by $714,746. The return was even with the index at 5.73%.

- Blackstone had a decrease of ($9,090). The fund returned -0.09% compared to the index return of 0.32%.

- Entrust had an increase of $42,065. The return was 0.47% compared to the index return of 0.32%.

- Employee contributions for the month totaled $218,322 and employer contributions totaled $522,301. Sales tax contributions for the month totaled $4,380,809.

- Gain/Loss in market value, including managers' fees was $5,665,338 for the month. Total additions were $10,787,038.

- Benefit payments totaled $1,758,530. Return of contributions totaled $144,252. Administrative expenses totaled $10,478. Net increase to the Plan was $8,873,778.

- Total Net Assets at the end of April were $320,330,649.

Gillette suggested that some of the Pictet monies be pulled off and put in cash due to volatility in the European market. Manley said that Segal Rogerscasey will be here later today and that should be discussed with them. She also mentioned that there is already a meeting with Pictet scheduled for next Monday.

Carroll made a motion to approve the financial statement ending April 30, 2015; 2nd by Gillette. Vote all: Yes.

McPhail entered the meeting at 8:43 a.m.

4. Review of Calculations

Age & Service Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Cale Murphy	Age & Service	22.12	$3,495.73	$225.53

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

5. Approval of Return of Contributions

Name	Dept.	Type	Years of Service	ROC
Cale Murphy	Fire	Age & Service	22.12	$116,413.09

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

6. Administrative Director's Report

Manley reported that the IPS was approved by Council on Monday. She also announced that the actuary RFP subcommittee met to review the responses. They had a second round of questions for five of the finalists and they met again this morning to make the final decision which will be discussed in closed session. The long term bond manager contract is about 80% complete. Sheppard has reviewed and we are waiting on their approval of the new IPS.

A memo concerning the AFC from the City Manager was distributed. Burris was going to be at today's meeting to address the Board, but has requested to do that at the July meeting instead.

There will be a Pictet update on Monday at 9:30 a.m. in the Busch Building for those who wish to attend.

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

Kelley made a motion to move to closed session at 8:47 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Carroll. Vote all: Yes. Open session resumed at 9:38 a.m.

8. International Small Cap Equity Presentations

The Board listened to presentations from Brandes Investment Partners, L.P. and Wellington Management Company LLP. A 4% allocation (estimated $12 million) will be funded to International Small Cap Equities primarily from existing Pictet monies. Chris Chard and Scott Thompson presented from Brandes. Ted Gilchrist and Danny Sharp presented from Wellington. Both firms exited the meeting and Katarski with Segal Rogerscasey discussed the two firms with the Board.

Katarski said his firm tends to favor employee-owned which they both are. He added that it's amazing that Wellington is able to manage the assets that they do and remain privately owned. There are also incredibly talented people at Brandes doing great research. Hartman said the difference to him is that Wellington is more core and Brandes is more pure value. Manley said that Brandes would hold up to 30% of emerging markets where Wellington was a max of 15%. Katarski said that emerging markets are 10% of the total plan. Pictet can be upwards of 20-25% of their portfolio in emerging markets. If both

Pictet and Brandes were at their max allocation in emerging markets and if you overlay that with a dedicated portfolio managed by Wells Capital you would have 14-15% of the total portfolio in emerging markets which is definitely a significant amount. Wellington has been historically at 5-10%. Brandes does take advantage of emerging markets at a higher percentage so it's definitely something to consider. Hartman said this is not a very conservative asset class as we have all discovered just by looking at the numbers, but it is supposed to drive returns over time. Everyone should take into consideration that if we want to go a little more conservative in a not conservative space, numbers show over time that value generally outperforms growth. Krafve said he feels that Brandes is a superior process overall. However, it will be more volatile. It may suffer through a year, but they will also have phenomenal years. Carroll pointed out Brandes' appendix showing their returns for a few years that verify what Krafve is saying. He just wants the Board to be aware that it can be up and down. If the Boards selects Brandes, we have to be prepared for them to perform below the benchmark. It is something that will need to be owned for at least seven years. We have had very similar conversations regarding Pictet. Katarski agreed. He said the Board needs to be prepared. The clients that have stuck with Brandes have been rewarded. Carroll said that he doesn't know that this is a good scenario versus the core. Krafve said that the last 15 years have been a lot of boom and bust cycles and the outperformance versus the index has been phenomenal for Brandes. In the bad times these guys are going to kill it relative to the Wellington people. At least they have historically.

Hartman asked Katarski if the Board should consider pulling some from Pictet and putting it in cash knowing that the international space has been up and down from month to month and in anticipation of getting prepared to fund international small cap equities. Katarski said that if the Board is able to fund either Wellington or Brandes very quickly, then sure. Because of the size of the mandate both of these will be a pooled vehicle. He doesn't see anything wrong with doing that depending on how quickly the contracts can be finalized. Manley said she thinks it can be done within 30 days. All they have to do is review the IPS and we should be ready to go. Katarski said it could help having it in cash, but it could also very well go the other way. He said he doesn't think it would be detrimental to pull Pictet back to their target considering we will be funding the new space from them anyway. He did add that as long as it is done pretty quickly. Krafve said that Mannix-Decker may be concerned about having that much in cash at the end of the fiscal year. Gillette added that the Board shouldn't be concerned with how it will show up on the City's balance sheet. Krafve said his point is, what is another two weeks since we are half way through June? Katarski said it will be about an additional $6 million in cash. Gillette said that he still thinks the Board needs to do the right thing regardless of how it will look on the balance sheet. Manley added that hopefully the long term bonds will be funded before the end of June. Gillette said that hopefully we will dollar cost average into long bonds versus just getting dollars off of the balance sheet for some fictional reason.

Gillette made a motion to get Pictet realigned with the target allocation and putting the overage in cash; 2nd by Carroll. Vote all: Yes.

Hartman called for a vote on the International Small Cap Equity managers. Wellington – Carroll, Brandes – Gillette, Kelley, Hartman, Hill, Krafve, McPhail and Hoffman. Krafve made a motion to approve Brandes as the International Small Cap Equity manager; 2nd by Carroll. Vote all: Yes.

Katarski said that recognizing the size of the mandate he thinks that taking that extra volatility makes sense. If you were looking at Brandes to be your single international manager at 20% of the portfolio, he doesn't know that he would recommend that. However for this space, he thinks they are a great choice. Carroll again stressed that a manager like Brandes should be owned for a very long time. Katarski said absolutely. If they hit a rough patch, that needs to be kept in mind. Gillette added that we need to be more actively monitoring the allocation percentages in spaces like this.

9. Adjournment

Kelley made a motion to adjourn the meeting; 2nd by Carroll. Vote all: Yes. The meeting adjourned at 11:12 a.m. on June 11, 2015.