CITY of SPRINGFIELD

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

Minutes
October 15, 2015

1. Call to Order

Hartman called the meeting to order at 8:37 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Josh Hartman	President	X	
Charlie Cowherd	Citizen	X	
Paul Carroll	Citizen	X	
Marilyn Hill	Citizen	X	
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 – September 15, 2015 (open session)

Sheppard asked that Manley give those present an opportunity to comment on any of the votes made on the September business. No comments noted. Carroll made a motion to approve the September 15, 2015 minutes as presented; 2nd by Hill. Vote all: Yes.

3. Approval of Financial Statement Ending August 31, 2015

- The cash balance at the end of August was $4,087,901.

- The State Street S&P 500 Flagship NL Fund decreased by ($2,987,420). The return was -6.04% compared to the index return of -6.03%.
- The State Street Russell 2000 NL Fund decreased by ($1,322,272). The return was -6.27% compared to the index return of -6.28%.
- Pictet decreased by ($2,534,906). The return was -5.05% compared to the benchmark of -7.36%.
- Wells Fargo had a decrease of ($1,866,323). The return was -8.45% compared to the benchmark of -9.04%. Wells Fargo has reduced their fees.
- Galliard decreased ($5,074,712). The return was -0.18% compared to the index return of -0.03%. $5 million was transferred to fund one of the new accounts.
- Income Research increased $9,833,320. The return was -1.57% compared to the index return of -0.80%. They were funded again this month and are now fully funded.
- Brandes decreased ($110,611). The return was -3.69% compared to the index return of -4.49%
- The US Tips NL Fund decreased by ($1,123,497). The return was even with the index at -0.76%.
- Brandywine had a decrease of ($625,505). The return was -2.10% compared to the index at 0.68.
- Pyramis had a decrease of ($168,593). The return was -1.23% compared to the index at -1.08%.
- The State Street Commodities NL Fund decreased by ($116,138). The fund returned -0.96% compared to the index return of -0.92%.
- Blackstone had a decrease of ($86,106). The fund returned -0.55% compared to the index return of -1.75%.
- Entrust had a decrease of ($373,455). The return was -2.52% compared to the index return of -1.75%.
- Employee contributions for the month totaled $238,906 and employer contributions totaled $571,546.
- Gain/Loss in market value, including managers' fees was ($10,556,216) for the month. Total additions were ($9,745,464).
- Benefit payments totaled $1,824,159. Return of contributions totaled $41,189. Administrative expenses totaled $24,278. Net increase to the Plan was ($11,635,090).
- Total Net Assets at the end of August were $308,715,852.

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

4. Review of Applications

Age & Service Application

Retiree's Name	Application Type	Application Date	Retirement Date	Department
David Davis	Age & Service	10/06/2015	10/31/2015	Fire

Kelley made a motion to accept the application as presented above; 2nd by McPhail. Vote all: Yes.

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Greg Roeder	Duty Disability	12.76	$2,975.38	$1,487.69
Andrew Houser	Age & Service	25.04	$4,306.04	$1,578.88
Ruby Knapp	Surviving Spouse – Final Pay		$1,935.75	$1,871.23

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Todd Revell	Age & Service	25.00	$138,386.44
Greg Roeder	Duty Disability	12.75	$65,780.89
Andrew Houser	Age & Service	25.04	$135,035.38
Mark Stewart	LAGERS		$3,193.25

Kelley made a motion to approve the return of contribution as presented above; 2nd by McPhail. Vote all: Yes with the exception of Cowherd who voted no on Revell, Roeder and Houser.

7. Administrative Director's Report

Manley informed the Board that Gillette has moved to Florida. Justin Milam has volunteered to take over the actuary representative position. He has submitted his application and will begin his duties in December. Manley reported that the revised IPS is being distributed to all of the investment managers. Manley informed the Board that an officer had contacted her wanting to know if a juvenile officer time could be purchased similar to military buy back time. Wichmer said yes since he was commissioned, carried a badge and he had arrest powers. She also noted that Dorrell's term will end on December 31st so we will need to have an election in December for the non-voting police member. Kelley also informed the Board that he would be stepping down as well due to taking over Shawn Martin's position with the local chapter of the IAFF. Carter expressed interest in Kelley's position so there could potentially need to be two elections held if he were voted into that position. White noted that the election must be held the first full week in December per the ordinance. This will mean that the meeting will have to be moved to December 17th. Manley thanked the Board for sending her, Kelley and Carter to the Segal Rogerscasey Conference.

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

Kelley made a motion to move to closed session at 8:57 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Carroll. Vote all: Yes. Open session resumed at 9:24 a.m.

9. Actuarial Valuation as of June 30, 2015

Mike Sudduth of Milliman presented the actuarial valuation. The big picture is that year-ending June 30, 2015 was a big of a rough year. The sales tax kind of overshadows the negative experience. The recommended contribution did go down from 105.83% to 100.65%. The AFC is also scheduled to change. Without the sales tax contributions we would have expected the unfunded accrued liability to have gone from $133 million to $138 million because the employer/employee contributions aren't enough to pay off the unfunded liability. Things that deviated from the expectations were the loss in investments, salary increases were greater than expected (payroll was higher than the previous year) and mortality. All of that is offset by the sales tax so the unfunded liability went from $133 million to $120 million. Sudduth said that people are living longer than anticipated by the mortality table/assumption. A general mortality table is used by pension plans.

The net market rate of return was -1.5% for the period. Not only did we not meet the expected rate of 7.0%, but we lost 1.5% so we are really down 8.5%. That's about $26 million. The Plan does use the smoothing process so the loss won't be recognized all at once. The smoothed return was 6.0% so we only lost about 1.5% on an actuarial basis. Sudduth reminded the Board that benefit enhancements can't be made for Plans that are under 80% funded per Missouri Law. The Plan is at 73.4% funded on an actuarial basis which is up from 69% last year. The market basis is 71.2%. This is because of the smoothing process. The funded ratio is up from 59.3% funded in 2012. Milliman has been tracking the benefit and contributions that are directly attributable to the additional funding contribution. The market value of assets as of June 30, 2015 for the AFC is $14,465,279. Sudduth doesn't anticipate any changes needed to the current assumptions. The only thing might be the new mortality table that could be adopted, but he doesn't foresee it being that much different than the current one being used.

Manley asked Sudduth if he's seeing other plans at the 7.0% assumption on return on investments. He said that everybody has come down. There are very few plans at 8.5% or even 8.0%. Most are between 7.0-7.5%. Some of the most troubled plans might still be around the 8.0% range because they don't have a choice. He said the sweet spot is right around 7.0-7.5%.

AFC – Sudduth explained that the AFC is calculated based on the assumptions, data and plan provisions contained in the June 30, 2015 actuarial valuation. The valuation determined contribution rates that are to be effective July 1, 2016. Milliman has calculated the unfunded accrued liability associated with the extra three-tenths multiplier as $8.0 million as of July 1, 2015 and the cost of the benefits expected to accrue in the current year as approximately $525,000. The unfunded accrued liability is being amortized on a closed basis, over a 20-year period beginning July 1, 2010. Since the plan is closed to new employees, the AFC can only be assessed on this closed and shrinking group of employees. 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 9.20% versus the current of 6.13%.

It was mentioned that Finance can provide a maximum number of hours that each employee can cash out upon retiring. That would help eliminate some of the assumption. Sudduth said they would work with Finance to get that. Sudduth distributed a chart outlining what will happen to the AFC based on different return assumptions and retirement rates. In all cases, the AFC continues to rise over time unless all the current assumptions are met and there is a 7% actual investment return.

It was asked that if the employee groups decide they no longer want this benefit, who will be responsible for the unfunded liability of $8 million. Sudduth said if you are paying the benefits, the liability is still there. The choices are to not pay the benefit or you have to fund it. He said who is responsible is not up to him. There are retirees already being paid the benefit. Sudduth said all aspects are included when figuring the funded percentage of the Plan. Grant asked if the Plan reaches 100% funded status does that include the AFC. Sudduth said that if everything goes exactly as planned and all assumptions are met, the funded percentage will rise, but just because the total plan is 100% funded it won't guarantee that the AFC piece is 100% funded. The AFC piece is only designed to be 100% once the last person retires. Only then would it be 100% funded. None of the tax gets allocated to the AFC. It's like a mortgage. It's not zero until you make the last payment. The Plan funded ratio is just a snap shot in time. Carroll asked Sudduth that when he says the Plan is 100% funded, it is enough to do what? Sudduth said the current assets are enough to fund the accrued liability of the Plan as of that day. Going forward you would still have to fund the benefits being earned. It was asked if 100% funded includes the AFC. Sudduth said the way they interpret the statute, it doesn't describe the AFC that way. The guest said he's not trying to ask Sudduth his interpretation, he's asking how it is calculated. The way it is calculated, no. Let's say the sales tax is $120 million this year and the total plan is 100% funded. Carroll asked if everything that has been earned until that point in time is 100% funded. Sudduth said that is right, but the way the statute is written is that we carve out the AFC liability. So when you carve out the AFC you still have the same situation. It's possible that the Plan could reach 100% funded status and the AFC could still be unfunded.

Carroll made a motion to accept the actuarial valuation as of June 30, 2015; 2nd by Cowherd. Discussion: Kelley asked if the report is accepted, is that accepting the AFC contribution rate. It was noted that the AFC would be voted on separately. Vote all: Yes.

Kelley made a motion to table acceptance of the recommended AFC contribution rate; 2nd by Krafve. Vote all: Yes.

10. Adjournment

Kelley made a motion to adjourn the meeting; 2nd by Cowherd. Vote all: Yes. The meeting adjourned at 10:34 a.m. on October 15, 2015.

 Secretary Signature: Nikki White