CITY of SPRINGFIELD

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

Minutes
November 12, 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	
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 – October 15, 2015 (open session)

Cowherd made a motion to approve the October 15, 2015 minutes as presented; 2nd by Carroll. Vote all: Yes.

3. Approval of Financial Statement Ending September 30, 2015

- The cash balance at the end of September was $3,644,873. There was a $3.9 million loss which is about a 12% loss.
- The State Street S&P 500 Flagship NL Fund decreased by ($1,149,532). The return was -2.48% compared to the index return of -2.47%.

- The State Street Russell 2000 NL Fund decreased by ($965,322). The return was -4.90% compared to the index return of -4.91%.
- Pictet decreased by ($2,482,947). The return was -5.21% compared to the index return of -5.08%.
- Wells Fargo had a decrease of ($666,836). The return was -3.30% compared to the benchmark of -3.01%.
- Galliard decreased ($4,819,983). The return was 0.51% compared to the index return of 0.66%. $5 million was transferred out.
- Income Research increased $10,311,723. The return was 0.69% compared to the index return of 0.81%. $5 million was transferred out. $10 million was transferred in.
- Brandes decreased ($52,765). The return was -1.96% compared to the index return of -3.33%.
- The US Tips NL Fund decreased by ($89,650). The return was -.58% compared to the index return of -.59%.
- Brandywine had a decrease of ($234,387). The fund returned -0.85% compared to the index return of 0.71%.
- Pyramis had a decrease of ($256,903). The return was -1.89% compared to the index at -1.38%.
- Prudential had a decrease of ($2,046,024). The return was 4.90% compared to the index return of 3.09%. $2.5 million was transferred out.
- The State Street Commodities NL Fund decreased by ($393,220). The return was -3.41% compared to the index at -3.42%.
- Blackstone had a decrease of ($149,774). The fund returned -0.94% compared to the index return of -1.16%.
- Entrust had a decrease of ($403,433). The return was -2.76% compared to the index return of -1.16%.
- Employee contributions for the month totaled $249,506 and employer contributions totaled $596,906. Sales tax contributions for the month totaled $3,303,470.
- Gain/Loss in market value, including managers' fees was ($5,662,690) for the month. Total additions were ($1,512,683).
- Benefit payments totaled $1,836,095. Return of contributions totaled $440,913. Administrative expenses totaled $15,795. Net increase to the Plan was ($3,805,486).
- Total Net Assets at the end of September were $304,910,366.

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

4. Review of Calculations

Age & Service Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
David Davis	Age & Service	23.54	$4,066.65	$4,066.65

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

5. Approval of Return of Contributions

Name	Dept.	Type	Years of Service	ROC
James Closser	Police	Age & Service	25.00 w/ military buyout	$117,706.73
Jason McCulley	Police	Reliquishment	11.16	$60,791.43
David Davis	Fire	Age & Service	23.46	$123,424.30

Manley and McPhail both spoke to McCulley regarding the benefits he would be giving up by applying for a relinquishment. McPhail made a motion to approve the return of contributions as presented above; 2nd by Kelley. Vote all: Yes, with the exception of Cowherd who voted no for Closser and Davis.

6. Administrative Director's Report

Manley reported that the December meeting has been changed from December 10th to the 17th. This is due to election for the police and fire members. The ordinance states that the election must be held the first full week in December. The December meeting will be held in room L45.

Manley introduced Ken McClure, Springfield City Council, who is sitting in to learn more about the pension system. An RFP for the investment consultant will be distributed soon. The current contract expires June 30, 2016. Manley asked for volunteers to serve on that committee.

7. Audit report as of June 30, 2015

Matt Cash, BKD, presented the report. Cash stated that the report shows a clean, unmodified opinion which is the highest opinion that they can give. That means that the financial statements are not materially mistaken. A comparative report was provided which shows a side-by-side comparison of 2014 versus 2015. The Plan's net position at the end of June was $322,533,580.

A sampling of 30 members is evaluated to make sure their contributions and the City's contributions are correct. The sales tax monies are checked against the Department of Revenue's remittances. The decline in investment performance is the main difference in 2014 versus 2015. There was a 14.5% return in 2014 compared to -1.4% in 2015. The two years combined would still put the Plan near the 7.5% rate of return. There was also substantial testing on the benefit payments. A 10% sampling is done on the return of contributions. Cash reported that the membership has decreased as expected with a closed plan.

The fiduciary net position as a % of the total pension liability decreased from 72.01% to 71.24%. This is primarily due to the investment performance. Even though the fiduciary net position increased, the pension liabilities also increased causing the funded ratio to decline. No significant deficiencies were found during the audit. No audit adjustments were reportable. Two minor deficiencies were found. One was the maintenance of plan census data. There was some double counting of longevity and degree pay.

The maximum difference found was around $1,000 for annual pay for an individual. The cause was an attempt to make a more systematic process by creating an automated report. Fortunately, this was caught before the actuarial report was completed. The census data was resubmitted to the actuary prior to them completing the actuarial evaluation.

Cash reported that his staff found one participant who retired in 2010, whose benefit payment calculation was inconsistent with the standard practices of the Plan. The percentages used for service credit are rounded to two decimal places, whereas the calculation for this participant was rounded up to the nearest percentage point. Rounding up the percentage from 45.88% to 46% resulted in the initial benefit payment calculation being overstated by $14. BKD recommended that the director of finance continue to review and approve benefit payment calculations and ensure the calculations are completely consistent for all participants and in accordance with plan provisions. This was the only item that was found.

Mannix-Decker provided a response letter to the deficiencies outlined in BKD's management letter. The census data had previously consisted of manually merging two sets of data since the payroll system data is accumulated on a calendar year basis for tax reporting and the census information is on a fiscal year. In an attempt to automate the report, the finance department worked with the information systems department to develop a new report which would consolidate all of the data needed. Mistakenly, the report doubled the longevity pay. This error was detected after the report was provided to Milliman and BKD. Once the error was discovered, it was fixed and the corrected reports were provided to both Milliman and BKD. Milliman received their report before work was started on the valuation.

Mannix-Decker also addressed the benefit calculation error. It was kind of like the worst situation possible because it was just over and we rounded up and it was a relatively high paid employee. Normally the difference would not have been this much. Cash said that typically the difference would have just been a couple of dollars, but since this employee was a higher compensated employee the difference was higher. Mannix-Decker will be taking a look at the retirees that retired around the same time to verify their calculations.

Hoffman made a motion to approve the audit report as of June 30, 2015 as presented; 2nd by Cowherd. Vote all: Yes.

Cowherd asked if anything needed to be done on the overpayment calculation to resolve that problem. Mannix-Decker said that they can if the Board directs the department of finance to do so. There is an overpayment of $14 per month being made. Manley asked if it had been corrected going forward. Mannix-Decker said no since it was just recently discovered. Board approval would be needed to change the payment. The overpayment has been occurring for 4 ½ years plus the 3% COLA. Mannix-Decker said that she can provide all of the numbers to the Board. The retiree is not aware of the issue since it was just recently discovered. Manley asked if there has been any previous experience with this and trying to go back and collect overpayments. Mannix-Decker said that she would have to go back and look, but she doesn't recall a situation like this. Krafve said that he thinks we have to go back and recoup. Rushefsky said there may be a difference if it is our error. Krafve said that he doesn't think it's fair to the other participants.

Cash said that they test 50% of new benefit payments each year. They also do a sampling of 30 retirees. They feel comfortable that there's not a systematic issue that they needed to dig into. Carroll said that Mannix-Decker is going to take a look before and after that time frame. Manley said that we are looking at around $1000 that has be overpaid. Mannix-Decker said that she will provide the number at the next meeting as well as the results of her department's additional sampling of that time period.

8. Police and Fire Representative Nominations

Grant Dorrell and Chris Welsh were nominated for the non-voting police member. Adam Carter was nominated for the voting fire member.

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

9. Quarterly Investment Report – Third Quarter 2015

Katarski reported that the beginning market value was $301,710,000. The return on the investment was ($17,547,000) for an ending market value of $300,722,000. The fiscal year-to-date investment performance is -5.6%. Global equities sold off which negatively impacted the investment returns.

The S&P 500 returned -6.38% compared to the index of -6.44%. The Russell 2000 Index Fund returned -11.93% compared to the index of -11.92%. Pictet's return was -8.98% and the index was -10.23%. Brandes wasn't funded for the full quarter. They were down -5.45% for the two-month period compared to the index return of -7.61%. Wells Capital was down -16.82% compared to the index return of -17.90%. Galliard had a positive return of 0.86% compared to the index of 1.08%. IR&M's performance will begin October 1st. TIPS had a negative return of -1.13% compared to the index of -1.15%. Brandywine had a decline of -3.83% compared to the index return of 1.71%. Pyramis' return was -3.34% and the benchmark was -1.71%. Prudential was up 4.90% compared to the index of 3.63%. The SSgA Bloomberg Fund declined -14.48% compared to the benchmark of -14.47%. EnTrust was down -5.47% compared to the benchmark of -1.75%. Blackstone was down -0.51% compared to the index of -1.75%.

Carroll asked Katarski to respond as to why the total plan has been lower than the index in both good and bad market times. Katarski said the story is the asset allocation. This plan is much lighter in US equities than other plans. The plan has a higher exposure in international equities and international fixed income. Boucek said that the asset allocation is a result of the asset liability study done a few years ago. Katarski added that their firm believes in the current allocation. Boucek said what really is important is that when the current board members retire your legacy is not going to be how well your plan did compared to the universe of plans. It will be how well you managed the assets and liabilities of your plan. This board has made some important steps to diversify and decrease risk. He added that in 10 years this plan will look pretty average compared to plans in the same universe. He wouldn't disagree that the returns are kind of disappointing in an absolute sense, but it is important to remember the cornerstone that got you to where you are today and that was the asset liability study. Another study will be done next year. He thinks that will give some more clarity of the long term expectations. Kravfe said that the worst thing that can be done is to chase returns. Katarski added that doing so is a recipe for disaster.

Kravfe made a motion to accept the quarterly investment report as presented; 2nd by Cowherd. Vote all:Yes.

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

Kelley made a motion to move to closed session at 9:50 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Cowherd. Vote all: Yes. Open session resumed at 11:00 a.m.

10. Secretary Contract

Hoffman made a motion to extend White's contract for another year with a $50 per month increase; 2nd by Cowherd. Vote all: Yes.

11. Additional Funding Contribution

Manley said that the Board tabled the AFC rate vote last month. It will either need to be voted upon or tabled again. Carroll questioned that if the recommended rate is approved, could it be changed prior to going into affect. Manley said she believed so. Carter said that approving it now could cause some panic among the employees.

McPhail made a motion to table the vote on the AFC increase until April; 2nd by Kelley. Vote all: Yes, with the exception of Carroll who voted no.

Dorrell said that he would like to know how the employees that are not represented by either employee group will be handled. Manley said that she doesn't know if that is something the Board can answer. Kelley thinks all employees would be bound by the agreement between the bargaining groups and the City. Manley said she thinks that is a question for the City, not the Pension Board.

12. Adjournment

Kelley made a motion to adjourn the meeting; 2nd by McPhail. Vote all: Yes. The meeting adjourned at 11:06 a.m. on November 12, 2015.

 11/12/15 Secretary Signature: Nikki White