CITY of SPRINGFIELD

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

Minutes
May 12, 2016

1. Call to Order

Cowherd called the meeting to order at 8:00 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Charles Cowherd	President	X	
Paul Carroll	Citizen	X	
Adam Carter	Fire	X	
Josh Hartman	Citizen	X	
Marilyn Hill	Citizen	X	
Ron Hoffman	Retiree	X	
Gus Krafve	Citizen	X	
Chris McPhail	Police		X
Justin Milam	Citizen	X	
Ed Cantrell (NV)	Retiree	X	
James Frieze (NV)	Fire		X
Chris Welsh (NV)	Police	X	
Mary Mannix-Decker (NV)	Finance		X
Ken McClure (NV)	City Council Liaison	X	
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

Chris Welsh was the voting member in McPhail's absence. Rhonda Lewsader, Sheila Maerz, Tony Kelley, Chris Thompson, Derek Fraley and Marianne Banks were also present.

2. Approval Meeting Minutes – April 14, 2016 (open session)

Hoffman made a motion to approve the April 14, 2016 minutes as presented; 2nd by Carter. Vote all: Yes.

3. Approval of Financial Statement Ending March 31, 2016

- The cash balance at the end of March was $7,043,495.
- The State Street S&P 500 Flagship NL Fund increased by $3,113,393. The return was 6.77% compared to the index return of 6.78%.

- The State Street Russell 2000 NL Fund increased by $365,915. The return was 3.80% compared to the index return of 3.82%.
- Pictet increased by $2,755,996. The return was 6.32% compared to the index return of 6.51%.
- Wells Fargo had an increase of $2,376,026. The return was 12.39% compared to the benchmark of 12.30%.
- Galliard increased $324,161. The return was 0.98% compared to the index return of 0.58%.
- Income Research increased $1,082,571. The return was 3.96% compared to the index return of 3.74%
- Brandes increased $250,468. The return was 8.52% compared to the index return of 8.02%.
- Brookfield increased $500,916. The return was 10.36% compared to the index return of 9.48%.
- The US Tips NL Fund increased by $277,250. The return was 1.78% compared to the index return of 1.80%.
- Brandywine had an increase of $1,812,433. The fund returned 6.59% compared to the index return of 3.91%.
- Pyramis had an increase of $553,947. The return was 4.04% compared to the index at 3.34%.
- The State Street Commodities NL Fund increased by $365,915. The return was 3.80% compared to the index at 3.82%.
- Blackstone increased $36,624. The fund returned 0.22% compared to the index return of 0.16%.
- Entrust had an increase of $90,042. The return was 0.84% compared to the index return of 0.16%.
- Employee contributions for the month totaled $236,759 and employer contributions totaled $566,410. Sales tax contributions for the month totaled $3,537,804.
- Gain/Loss in market value, including managers' fees was $15,178,664 for the month. Total additions were $19,519,637.
- Benefit payments totaled $1,870,668. Return of Contributions totaled $467,859. Administrative expenses totaled $6,861. Net increase to the Plan was $17,174,249.
- Total Net Assets at the end of March were $326,432,832.

Carroll made a motion to approve the financial statement ending March 31, 2016; 2nd by Hartman. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Peter Prewitt	Age & Service	05/08/2016	07/09/2016	Fire

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
James Sandbothe	Age & Service	20.00	$3,304.46	$1,431.93

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
James Sandbothe	Age & Service	20.00	$105,061.10
Matthew Lilly	Reliquishment	2.8	$6,923.42

Carter made a motion to approve the return of contributions as presented above; 2nd by Carroll. Vote all: Yes with the exception of Cowherd who voted no on the return of contribution for Sandbothe.

7. Administrative Director's Report

Manley reminded the Board that the MAPERS conference will be held July 13-15. The pre-retirement seminar will be held June 10th at 8:30 a.m.

8. Additional Funding Contribution - AFC

A copy of Milliman's memo concerning the Fire AFC proposal was distributed. The memo stated the following:

The proposal outlined a fixed member AFC rate of 6.63% together with additional annual City contributions of $321,562 (smaller amount in the first year). All such contributions will cease upon the earlier of: 1) the Fire AFC reaching 100% funding and 2) July 1, 2029.

The Unfunded Accrued Liability (UAL) associated with the Fire AFC is $4.2 million. The normal cost represents 2.88% of the members' contributions, leaving 3.75% available to apply to the Fire AFC UAL. The attached exhibit (on permanent file) shows that if all assumptions are met (the same assumptions as those used in the July 1, 2015 actuarial valuation), this level of member contributions, along with the additional City contributions described above, will fully amortize the Fire AFC UAL by June 30, 2028. This procedure results in faster amortization than under the current methodology and prior to the "sunset" date set in the proposal. The proposal is not detrimental to the financial position of the overall Police & Fire Retirement Fund and in fact results in the Fire AFC UAL becoming amortized faster than under current methodology. End of Milliman memo.

Krafve understands it to be a net positive to the Fund. Manley said that is correct. Cowherd said it is a moving target, but it is the best with the information at hand. The study is based off of a 7% rate of return. Cowherd said that all we are doing is saying that we accept Milliman's report.

Carter made a motion to accept Milliman's report and the new Fire AFC rate of 6.63% subject to approval by City Council and the fire association; 2nd by Carroll. Discussion: Milam questioned if the Board was voting on the 6.63% and that it will never be changed. Cowherd said it is subject to the follow through of the City and the association to put it into effect. It would be a permanent number for fire employees that would not change. Cowherd said it gives some predictability for the fire employees that they don't currently have. Milam asked what will happen if it is not fully funded at the end. Cowherd said that the City will have to find a way to deal with that. Carter it would be absorbed by the main fund. Kelley said that they are still massaging that, but that is the intent and the effect. He said they are still working through it. Milam said that there are just a lot of unknowns. Are there some concerns about the police side of this? Especially if it is absorbed by the Fund in the end. Cowherd said that is a reasonable question that will have to be fleshed out at some point. The ordinance says that the employees are to pay for this in a way that the City and the association finds acceptable and that is what this proposal addresses. Vote all: Yes.

Manley said that the other part is to establish a rate for the police participants. Milliman's report recommended that the rate be 17.7%. This rate will need to be implemented in July and is subject to change if and when an agreement is made between the City and the police participants. Any agreement that might be reached could change the rate. Carter asked if the rate could be changed later. The ordinance says on or before July 1, 2016. Cowherd said that there will have to be an ordinance change for the fire AFC and the same would be the case for the police. He added that with the ordinance we have in place today, this is what we are supposed to do.

Carroll made a motion to accept the actuarial recommended Police AFC rate of 17.70% as of July 1, 2016; 2nd by Milam. Vote all: Yes. Maerz said that it would take effect on the July 10th payroll.

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

Carroll made a motion to move to closed session at 8:34 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Hill. Vote all: Yes. Open session resumed at 8:45 a.m.

10. Quarterly Investment Report – Segal Rogerscasey

Boucek gave a brief overview of the financial market conditions.

Katarski reported that the beginning market value on July 1, 2015 was $301,710,000. The return on the investment is ($3,880,000) for an ending market value of $318,797,000. The investment performance for the quarter ending March 31, 2016 was 2.5%. The fiscal year-to-date investment performance is -1.4%.

The S&P 500 returned 1.36% compared to the index of 1.35%. The Russell 2000 Index Fund returned -1.47% compared to the index of -1.52%. Pictet's return was -0.66% and the index was -3.01%. Brandes returned 4.11% compared to the index return of -0.60%. Wells Capital was up 6.16% compared to the index return of 5.71%. Galliard returned 2.64% compared to the index of 2.31%. IR&M returned 7.49% compared to the index return of 7.30%. TIPS had a return of 4.45 compared to the benchmark of 4.46%. Brandywine had an increase of 8.70% compared to the index return of 9.10%. Pyramis' return was 5.25% and the benchmark was 5.04%. Prudential was up 2.20% compared to the index of 2.50%. The

SSgA Bloomberg Fund increased 0.39% compared to the benchmark of 0.42%. EnTrust was down -3.97% compared to the benchmark of -2.03%. Blackstone returned -1.94% compared to the index of -2.03%.

Carroll made a motion to accept the quarterly report as presented; 2nd by Carter. Vote all: Yes.

11. Investment Consultant Presentations

Three finalists presented to the Board. The finalists were Segal Rogerscasey, NEPC and Bogdahn. Those on the investment subcommittee (Carroll, Cowherd, Hartman, Krafve and Manley) were asked to score each firm. The Board felt that all three firms were very strong. Segal Rogerscasey scored the highest with NEPC in second and Bogdahn in third.

Krafve made a motion to enter a one-year agreement with Segal Rogerscasey with the option to renew for four additional years; 2nd by Carroll. Vote all: Yes.

12. Board Governance Policy

Carroll made a motion to accept the Governance Policy as presented; 2nd by Kravfe. Vote all: Yes.

13. AFC Lawsuit – Retained Outside Legal Counsel

Sheppard wanted to clarify that the Board had retained CECB for the AFC lawsuit. Manley confirmed that the Board had officially done so by motion in a previous meeting. Sheppard said that the ordinance states that the Board shall set forth in the minutes the basis for the determination for the potential conflict and the Board may waive the conflict or retain independent counsel. He thinks the discussion was in regard to the conflict. Several agreed that it was. Sheppard said that he thinks we are good then, but we can do it again if anyone has any doubts. Cowherd said he recalls the motion being subject to further investigation on the issue. Sheppard said that since then the SPOA has waived any conflict with his firm representing the fund despite that fact that he has a partner that has done past work for the SPOA many years ago.

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

Hill made a motion to move to closed session with outside legal counsel at 12:02 p.m. pursuant to Section 610.021(1) RSMo.; 2nd by Carroll. Vote all: Yes. Open session resumed at 12:59 p.m.

15. Adjournment

Carter made a motion to adjourn the meeting; 2nd by Carroll. Vote all: Yes. The meeting adjourned at 1:00 p.m. on May 12, 2016.

 05/12/16 Secretary Signature: Nikki White