CITY of SPRINGFIELD

POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO
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Minutes
February 9, 2017

1. Call to Order

Cowherd called the meeting to order at 8:30 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Charlie Cowherd	President	X	
Paul Carroll	Citizen	X	
Adam Carter	Fire		X
Derek Fraley	Citizen	X	
Ron Hoffman	Retiree	X	
Gus Krafve	Citizen	X	
Chris McPhail	Police		X
Nancy Martin-Hinds	Citizen		X
Justin Milam	Citizen	X	
Ed Cantrell (NV)	Retiree		X
James Frieze (NV)	Fire		X
Chris Welsh (NV)	Police	X	
David Holtmann (NV)	Finance	X	
Ken McClure (NV)	City Council Liaison	X	
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

Rhonda Lewsader, Krystal Ray and Lauren Cook were also present. Welsh was the voting member in McPhail's absence.

2. Approval Meeting Minutes – January 12, 2017 (open session)

Welsh made a motion to approve the January 12, 2017 minutes as presented; 2nd by Milam. Vote all: Yes.

Manley noted that Chief Hall's deductions were taken from his final payroll check and put into the fund. She wanted the Board to know this since it was different from what was discussed at the December meeting.

3. Approval of Financial Statement Ending December 31, 2016

- The cash balance at the end of December was $12,143,397.

- The State Street S&P 500 Flagship NL Fund increased by $1,011,930. The return was even with the index at 1.98%.

- The State Street Russell 2000 NL Fund increased by $578,625. The return was 2.81% compared with the index at 2.80%.

- Pictet increased by $1,472,072. The return was 3.46% compared to the index return of 3.42%.

- Wells Fargo had a decrease of ($482,910). The return was -1.84% compared to the benchmark of 0.22%.

- Galliard increased $19,129. The return was 0.09% compared to the index return of 0.04%.

- Income Research increased $215,532. The return was 0.67% compared to the index return of 0.73%.

- Brandes increased $322,992. The return was 3.44% compared to the index return of 2.87%.

- Brookfield increased $248,055. The return was 2.56% compared to the index return of 2.91%.

- The US Tips NL Fund decreased by ($16,112). The return was even with the index at -0.10%.

- Brandywine had an increase of $45,285. The fund returned 0.17% compared to the index return of -0.97%.

- Pyramis had an increase of $298,041. The return was 1.77% compared to the index at 1.45%.

- The State Street Commodities NL Fund increased by $215,869. The return was even with the index at 1.80%.

- Blackstone had an increase of $121,959. The fund returned 0.81% compared to the index return of 1.22%.

- Entrust had an increase of $84,390. The return was 0.63% compared to the index return of 1.22%.

- Prudential had an increase of $137,402. The return was 2.44% compared to the index of 2.16%.

- Employee contributions for the month totaled $351,950 and employer contributions totaled $740,525. Sales tax contributions for the month totaled $2,857,022.

- Gain/Loss in market value, including managers' fees was $4,396,768 for the month. Total additions were $8,346,590).

- Benefit payments totaled $1,950,024. Administrative expenses totaled $56,461. Net increase to the Plan was $6,059,256.

- Total Net Assets at the end of December were $353,979,613.

Krafve made a motion to approve the financial statement ending December 31, 2016; 2nd by Fraley. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
James McCulloch	Age & Service	01/25/2017	04/14/2017	Police
Dawn Davis	Age & Service	01/25/2017	02/25/2017	Police
Scott Umbarger	Age & Service	01/25/207	04/14/2017	Police
Sonny Cantrell	Surviving Spouse	01/20/2017	N/A	Fire

Carroll made a motion to accept the applications as presented above; 2nd by Welsh. Vote all: Yes.

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
John Smith	Age & Service	20.11	$3,409.75	$2,749.80
Joyce Cantrell	Surviving Spouse	20.45	$2,373.10	$395.52
James Hankins	Final Pay	11.08	$3,087.51	$2,888.32

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
John Smith	Age & Service	20.11	$120,024.39

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

7. Administrative Director's Report

Manley presented the proposed 2017 premium for fiduciary insurance in the amount of $46,525. This is the same carrier as last year. This is for $10,000,000 in coverage with at $75,000 retention. The 2016 premium was $46,585. AIG also bid, but they would only give $5,000,000 in coverage. They are not bidding $10,000,000 for anyone this year. Fraley made a motion to accept the premium in the amount of $46,525 for fiduciary insurance; 2nd by Krafve. Vote all: Yes.

Manley presented an invoice from MAPERS in the amount of $100.00 for the plan sponsor dues. This is not a new expense, but Manley wanted to make the Board aware of it. Fraley made a motion to approve the invoice and submit it for payment; 2nd by Krafve. Vote all: Yes. There was a brief discussion regarding invoices of this minimal amount and that Manley should have the discretion to submit for payment without Board approval.

Manley reported that the income verification process is complete and no additional action is needed. She informed the Board that $46,962 was spent in legal fees for the SPOA lawsuit. This amount is not reimbursable by the City. However, $4,825 in general counsel fees for outside counsel will be reimbursed for the last half of the year.

The July meeting will be held on July 20th and the August meeting will take place on the 17th.

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

Krafve made a motion to move to closed session at 8:52 a.m. pursuant to Section 610.021(1) RSMo.; 2nd by Milam. Vote Yes: Cowherd, Carroll, Fraley, Hoffman, Krafve, Milam and Welsh. Vote no: none. Open session resumed at 9:00 a.m.

9. Quarterly Investment Report – Fourth Quarter 2016

Katarski reported that the beginning market value was $333,682,000. The return on the investment was $8,067,000 for an ending market value of $341,223,000. The fiscal year-to-date investment performance is 2.4%.

The S&P 500 returned 3.85% compared to the index of 3.82%. The Russell 2000 Index Fund returned 8.84% compared to the index of 8.83%. Pictet's return was -2.53% and the index was -0.71%. Brandes was up 1.69% to the index return of -2.86%. Wells Capital returned -6.67% compared to the index return of -4.16%. Galliard returned -1.89% compared to the index of -2.05%. IR&M's returned -7.78% compared to the index of -7.84%. TIPS returned -2.43% compared to the index of -2.41%. Brandywine decreased -7.04% compared to the index return of -10.84%. Pyramis' return was -1.65% and the benchmark was -4.02%. Prudential was up 2.44% compared to the index of 2.16%. Brookfield returned -5.14% compared to the index of -5.59%. The SSgA Bloomberg Fund increase 2.69% compared to the benchmark of 2.66%. EnTrust was up 0.17% compared to the benchmark of 1.66%. Blackstone was up 2.17% compared to the index of 1.66%.

10. Asset/Liability Modeling – Segal Marco

Ross said that today's presentation is a continuation from the fourth quarter meeting where four candidate portfolios were modeled. Feedback regarding the asset class structure of those portfolios was the foundation for modeling three additional portfolios. In addition to the enhancements modeled initially, three new portfolios may or may not add infrastructure, credit/event driven, high yield and commodities. Real estate has been constrained at 4%, allowing an allocation to infrastructure with two of the portfolios. There are improved sharpe ratios across all portfolios. The metric that was focused on is funding surplus (deficit) at the median and under very poor market outcomes (CVAR – defined as the average of the worst 5% of simulated results). Ross said this becomes a discussion around risk tolerances and preferences coupled with their firm's perception of what we think the opportunity set looks like given the Board's objectives. The average return assumption for the three new portfolio options is 7.4%.

Ross explained that infrastructure covers a broad group of investments that span the risk and return spectrum. Infrastructure includes toll roads, bridges, healthcare, education, airports, water treatment, etc. A great deal of discussion took place regarding an opportunistic bucket portion of the portfolio and what that would look like. Ross said that this could be setup however the Board pleases. Manley expressed concern over investing in high yield. Kravfe agreed and said that maybe that 5% allocation could be moved to opportunistic. Manley also questioned about how many hairs we split to make an impact. It can be costly to be invested in too many areas. She hates to see us have too many 5% allocations. Liquidity will also become a concern 10 years down the road since this is a closed plan. Manley expressed concern over dropping developed markets fixed income. Kravfe added that it is a brutal category that hasn't performed well. Milam expressed concern over MACS, but said that it's just because he doesn't understand it. Carroll said that it is a very broad class. They can be tailored to fit specific needs. They will shift allocations between various asset classes to produce improved outcomes. Katarski said the fees are much lower as well. Milam said that he's just not comfortable investing in something he doesn't understand. Ross said that it can be very much customized to what you are comfortable with.

Fraley exited the meeting and didn't return.

Manley said that she would like to see what new four option would look like after all of the discussion today. Developed fixed income would be dropped to zero and high yield would also go to zero. Credit event driven would also go to zero. It was also questioned if real estate should be increased or if it should stay at 2.5%. Krafve said that it will be hard to model the opportunistic bucket. Ross said it will look advantageous for sure. Milam added that it might be artificially so. Manley said that she would like to see the fourth option in writing.

Krafve made a motion to approve the New 3 option with the recommended changes of 12.5% to be in the opportunistic category; 2nd by Carroll. Vote yes: Carroll, Hoffman, Krafve and Welsh. Vote no: Milam. Cowherd abstained.

Carroll made a motion to approve the quarterly investment report as presented; 2nd by Milam. Vote all: Yes.

11. Adjournment

Carroll made a motion to adjourn the meeting; 2nd by Milam. Vote all: Yes. The meeting adjourned at 11:06 a.m. on February 9, 2017.