CITY of SPRINGFIELD

POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO
840 Boonville
Springfield, Missouri 65801
Voice Mail (417) 831-8901
Box Number 44140

Minutes
October 12, 2017

1. Call to Order

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

Attendance

Members	Representation	Present	Absent
Mike Bridges	Citizen	X	
Paul Carroll	President	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

Bill Bryan and Will Schmitt were also present. Welsh was the voting member in McPhail's absence.

2. Approval Meeting Minutes – September 14, 2017 (open session)

Bridges made a motion to approve the September 14, 2017 minutes as presented; 2nd by Welsh. Vote all: Yes.

3. Approval of Financial Statement Ending August 31, 2017

- The cash balance at the end of August was $7,386,689.
- The State Street S&P 500 Flagship NL Fund increased by $178,539. The return was even with the index of 0.31%.

- The State Street Russell 2000 NL Fund decreased by ($286,355). The return was -1.28% compared to the index of -1.27%.
- Pictet decreased by ($797,024). The return was -1.28% compared to the index return of -0.04%.
- Wells Fargo had an increase of $718,798. The return was 2.20% compared to the benchmark of 2.23%.
- Galliard increased $243,638. The return was 0.66% compared to the index return of 0.65%.
- Income Research increased $832,466. The return was 2.27% compared to the index return of 2.25%.
- Brandes decreased ($97,161). The return was -0.53% compared to the index return of 0.82%.
- Brookfield decreased ($16,091). The return was -0.15% compared to the index return of 0.13%.
- The US Tips NL Fund increased by $171,380. The return was even the index of 1.06%.
- Brandywine had an increase of $174,765. The fund returned 0.68% compared to the index return of 1.23%.
- Pyramis had an increase of $315,746. The return was 1.69% compared to the index at 1.73%.
- The State Street Commodities NL Fund increased by $44,927. The return was 0.38% compared to the index of 0.40%.
- Blackstone had an increase of $183,346. The fund returned 1.11% compared to the index return of 0.79%.
- Entrust had a decrease of ($46,141). The return was -0.56% compared to the index return of 0.79%.
- Employee contributions for the month totaled $230,990 and employer contributions totaled $484,379.
- Gain/Loss in market value, including managers' fees was $1,620,832 for the month. Total additions were $2,633,684.
- Benefit payments totaled $2,063,261. Return of contributions totaled $685,384. Administrative expenses totaled $16,672. Net increase to the Plan was ($133,633).
- Total Net Assets at the end of August were $399,938,034.

Welsh made a motion to approve the financial statement ending August 31, 2017; 2nd by Hoffman. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Robert McPhail	Age & Service	09/28/17	11/10/17	Police
Thomas McKellips	Age & Service	09/13/17	12/11/17	Fire
Sam Barber	Surviving Spouse	09/25/17	N/A	Police

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
James Lane	Age & Service	25.0	$3,725.61	$2,235.36
Sam Barber	Final Check	25.0	$3,119.54	$935.86
Sam Barber	Surviving Spouse	N/A	$2,368.76	$1,658.13

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Jason Bohannon	Reliquishment	14.20	$85,062.47
Bradley	Age & Service	25.00	$170,182.66

Carter made a motion to approve the return of contributions as presented; 2nd by Bridges. Vote all: Yes.

7. Approval of Return of Contributions

Name	Type	Years of Service	ROC
James Lane	Age & Service	22.00	$56,109.13 ($67,490.00 Buyout)

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

8. Administrative Director's Report

Manley presented a bill for the death audit services from Pension Benefit Information, LLC. This company offers continuous monitoring and notifies staff if someone has passed away. Krafve made a motion to approve payment in the amount of $1,400 to PBI; 2nd by Bridges. Vote all: Yes.

Manley reported that the EIN has been obtained and she's continuing to work with the payroll company to get everything setup by the end of October.

An email from Segal Marco was distributed. It outlined the proposed first step to rebalance across the Plan's existing managers in effort to move toward the new asset allocation.

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

Carter made a motion to move to closed session at 8:56 a.m. pursuant to Section 610.021(1) RSMo.; 2nd by Milam. Vote Yes: Bridges, Carroll, Carter, Hoffman, Krafve, Milam and Welsh. Vote no: none. Open session resumed at 9:05 a.m. McClure entered the meeting.

10. Actuarial Valuation as of June 30, 2017

Michael Zwiener of Milliman presented the actuarial valuation. The total contribution rate has gone down. The unfunded accrued liability was $112 million last year and is now $88 million. That is good progress. We had a gain of $28 million, but in the absence of the sales tax contributions of $33 million we would have had an actuarial loss of $5 million. That's not alarming, but we don't want to get the impression that we had great experience. It was right on track. The funded ratio went from 76.5% in 2016 to 82.1% this year. This was south of 50% prior to the sales tax implementation.

The net rate of return was 10%. This is a significant number especially as the number of active employees goes down. The AFC is about 5% of the total Fund. It is to be paid for by the members so it is tracked separately, however it is still part of the Fund. Assets are not segregated. If the Fund returns 10%, then the AFC is allocated 10%. The unfunded entry age normal accrued liability for the AFC went up from the previous year. The smoothed return was 5.3% and that was less than assumed so the accrued liability went up a little bit. The covered payroll is also going down a little faster than projected. Zwiener said he doesn't want to make a big deal of it. It doesn't surprise him. Manley said that we are finding that as soon as employees are eligible, they are retiring. Zwiener said that we assume that 25% will retire when eligible. That came from the last experience study. He said that does concern him from the AFC standpoint. Manley said that two classes of police are eligible in 2019. Welsh said there will also be two academies in 2020 and 2021. Zwiener said if we think that those eligible will retire immediately then we need to take a look at that. If you're looking at the Fund as a whole it is immaterial, but if you're paying 17.5% on your check then it is very material.

Manley asked Zwiener if 7.0% rate of return is still appropriate. Zwiener said that over the last five years it is 6.6%. The last 10 years it is about 3.5%. There is still a long time horizon and you still want to strive for returns. He said that 7.0% can be justified and supported. We are pretty close to our peer group. He thinks 7.0% is realistic. The peer group plans are still open and we are closed, but what else are we going to compare to? Zwiener said he thinks it is premature to move to fixed income investments. Milam asked if we should start considering going down on the investment return. Zwiener said next scheduled review of the investment return is July 2019. He said that the Board can look at a year earlier if there's a strong feeling to do so. He said he would be happy to go down to 6.75% right now, but there are a lot of factors to consider. He sensitive to the fact that progress was shown this year and then the actuary comes along and moves the goal post. He thinks 6.75% is probably more appropriate than 7.0%, but he knows that in July 2019 he will get his chance to adjust it and he's choosing not to push it right now unless the Board thinks it's a good idea.

Zwiener distributed a chart outlining the projected funded ratios. At 7.0% it shows that we will peak at 96% funded in 2020. As long as 7.0% is earned it stays in the 95-100% range. If you believe that then you would say that we don't need an addition $30 million a year in sales taxes. Manley said that we know that it won't stay at 7.0% because we will have to lower our rate as we get more conservative. Zwiener said that's why we also show 6.5% and 6.0%. The 35% projected City contribution holds, but at some point it doesn't make a lot of sense for the City to look at this as a percentage of payroll. It needs to be looked at as a bond or something to be paid. Zwiener said he looked at if the City contributions dropped below a certain dollar amount and the City continued to contribute a flat dollar amount for a certain period. It doesn't take a lot. Manley asked how much it would cost to run a report showing that the City pays a flat amount from say 2021 going forward. Zwiener said the model is already built. Manley said she thinks that would be valuable for the City to see. McClure said that there needs to be a general briefing on the Fund to Council. The sooner the better since the sales tax expires in March of 2020. Manley is already scheduled to talk to Council in January 2018.

The Fund as a whole is tracking in a way that Zwiener is pleased with. He said that we've been coming up a little bit short on the 7.0%. The AFC is also a potential problem.

Milam made a motion to approve the actuarial valuation as of June 30, 2017 as presented; 2nd by Carter. Vote all: Yes.

11. Adjournment

Carter made a motion to adjourn the meeting; 2nd by Welsh. Vote all: Yes. The meeting adjourned at 10:10 a.m. on October 12, 2017.

 Secretary Signature: Nikki White