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
November 9, 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

Krystal Ray and Susan Partee were also present. Cantrell was the voting member in Hoffman's absence.

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

Bridges made a motion to approve the October 12, 2017 minutes as presented; 2nd by Carter. Vote all: Yes.

3. Approval of Financial Statement Ending September 30, 2017

- The cash balance at the end of September was $36,287,862.
- The State Street S&P 500 Flagship NL Fund increased by $1,209,223. The return was 2.08% compared to the index of 2.06%.

- The State Street Russell 2000 NL Fund decreased by ($3,763,939). The return was even with the index of 6.24%. $5 million was redeemed.

- Pictet decreased by ($4,539,129). The return was 2.31% compared to the index return of 2.49%. $6 million was redeemed.

- Wells Fargo had an increase of $392,878. The return was 1.09% compared to the benchmark of -0.40%.

- Galliard decreased ($87,802). The return was -0.25% compared to the index return of -0.38%.

- Income Research decreased ($406,968). The return was -1.11% compared to the index return of -0.95%.

- Brandes increased $105,552. The return was 0.81% compared to the index return of 2.85%.

- Brookfield decreased ($15,208). The return was -0.14% compared to the index return of -0.33%.

- $16,286,257 was redeemed from the US TIPS Fund.

- Brandywine had a decrease of ($194,082). The fund returned -0.62% compared to the index return of 1.38%.

- Pyramis had an increase of $94,429. The return was 0.50% compared to the index at -0.01%.

- The State Street Commodities NL Fund decreased by ($15,725). The return was -0.15% compared to the index of -0.13%.

- Blackstone had an increase of $82,209. The fund returned 0.50% compared to the index return of 0.35%.

- Entrust had an increase of $39,298. The return was 0.44% compared to the index return of 0.35%.

- Employee contributions for the month totaled $254,786 and employer contributions totaled $535,415.

- Gain/Loss in market value, including managers' fees was $4,118,313 for the month. Total additions were $7,971,192.

- Benefit payments totaled $2,053,764. Return of contributions totaled $255,244. Administrative expenses totaled $33,655. Net increase to the Plan was $5,628,529.

- Total Net Assets at the end of September were $405,938,035.

- The following was reinvested in the funds listed:

    - S&P 500 - $6.5 million
    - Brandes - $3 million
    - Galliard - $6 million

- Investment Research - $4 million
- Well Capital - $6 million

Fraley made a motion to approve the financial statement ending September 30, 2017; 2nd by Krafve. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Kevin Clark	Age & Service	10/25/17	01/20/18	Police

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

5. Administrative Director's Report

A letter from the City Manager regarding fiduciary insurance was distributed. Sheppard reviewed the information and concluded that if the Board is receiving the same coverage there is no reason why the Board couldn't be under the same policy as the City. The City is hoping to have something to Manley in the next few weeks. It should be less expensive for the Board than getting our own policy. Manley told the City that the Board must have the same coverage as they have now. The Board doesn't have to go this route. The Board can choose to keep its own policy. Milam said that there should be a significant savings for the Board.

Manley reported on the new payroll system. It will be up and running at the end of next week. She also informed the Board that White's contract is up next month. The Board needs to determine whether to keep her as an independent contractor of the Board or make her an employee of the Board. Right now, she's an independent contractor of the City. Carroll said that we can move her over the Board. The question is whether she is more of an independent contractor or an employee. Bridges questioned how much different her job description is from Manley's. Manley said that White doesn't have an office space. All her work is done from home. Carroll said it would be an additional cost of 7.5% which is a small amount. Krafve questioned if we were to get audited again and one person is still an independent contractor. Manley said that's why we may just want to make her an employee. Several agreed that there's a big difference in job descriptions and an independent contractor is defensible. Krafve made a motion to make White an independent contractor of the Board; 2nd by Carter. Discussion – Carter asked White her preference. White said that she's always been an independent contractor and receives a 1099 each year. She said that's fine with her. She said she does use a computer provided by the City, but paid for by the Fund. She also has a City email address and she uses the City copiers. Carroll said that the cost difference between and employee and an independent contractor is about $900. Carter asked if Sheppard would be ok with an employee setup versus an independent contractor and Carroll said yes. White said it would be beneficial tax wise for her to be an employee versus a 1099. Krafve withdrew his motion. It was questioned why Sheppard made the recommendation of leaving her an independent contractor. Manley said that there wasn't a compelling case either way and he probably thinks it's just easier to leave her as a contractor. Several agreed that it would be better and cleaner to just make her an employee of the Board. McPhail made a motion to make White an employee of the Board; 2nd by Bridges. Vote all: Yes.

 Secretary Signature: Nikki White

6. Board Member Nominations

Marcus Walker was nominated for the non-voting police member. Adam Carter was nominated for the voting fire member and Jamie Frieze was nominated for the non-voting fire member. Fraley made a motion to accept the nominations as presented; 2nd by Krafve. Vote all: Yes.

The election will be held the first full week in December and the results will be tabulated at the December 14th Board meeting.

7. Income Verification

Manley distributed a letter regarding income verification process and the possibility of doing things different. She said that the Board does not have the authority nor the responsibility to make Plan changes, but we can pass this to Council to look at. Manley visited with McClure and he recommended passing it to Council's policies committee. The question for the Board is whether we want to send this to Council for review. Welsh said that this would put us in line with LAGERS which doesn't do income verification on those on disability. Manley said the retirees feel strongly about this and the Board has been asked several times to look at it. Carter asked Manley how much time she spends on this each year. Manley said approximately 50-60 hours. About six people are reduced each year. Since 2011 she believes the difference is about $500,000. Manley asked Milliman how this will impact the Fund. His response was that it is so small that there's no way for them to capture it. The cost would simply be the amount we don't pay, but there's no way to track the impact on the Fund because the amount is so small. Manley said the Board will make itself available to Council to provide information and answer questions. Carter and Welsh said that they don't see any objection coming from the active employees. Carter made a motion to send the income verification memo drafted by Manley to Council for review; 2nd by Krafve. Vote all: Yes.

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

Fraley made a motion to move to closed session at 9:16 a.m. pursuant to Section 610.021(1) RSMo.; 2nd by McPhail. Vote Yes: Bridges, Cantrell, Carroll, Carter, Fraley. Krafve, McPhail and Milam. Vote no: none. Open session resumed at 9:52 a.m.

9. Audit Report as of June 30, 2017

Kristen Hughes, RSM, presented the report. There were no audit adjustments or material weaknesses found. There was an unmodified or clean opinion by RSM.

A comparative report was provided which shows a side-by-side comparison of 2016 versus 2017. The Plan's net position at the end of June was $394,707,000 compared to June 2016 balance of $343,288,000. The net investment income was $35,586,000 compared to $3,663,000 in 2016. The benefit payments were consistent with the prior year. The fiduciary net position as of % of total pension liability is 80.31% compared to 67.91% in 2016.

Fraley made a motion to approve the audit report as of June 30, 2017 as presented; 2nd by Krafve. Vote all: Yes.

10. Quarterly Investment Report – Segal Marco

Katarski reported that the beginning market value was $383,194,000. The return on the investment was $13,028,000 for an ending market value of $395,973,000 for the year. The fiscal year-to-date investment performance is 3.4%.

The total plan was up 3.41% for the quarter. The S&P 500 returned 4.49% which was compared to the index of 4.48. The Russell 2000 Index Fund returned 5.63% compared to the index of 5.67%. Pictet returned 4.34 compared to the index of 5.40. Brandes returned 1.8% compared to the index of 7.46%. Wells Capital returned 9.29% compared to the index return of 7.89%. Galliard returned 0.95% compared to the index of 0.72%. IR&M returned 1.44% compared to the index of 1.53%. Brandywine increased 3.26% compared to the index return of 2.57%. Pyramis' return was 3.09% and the benchmark was 2.63%. Prudential was up 2.22% compared to the index of 1.89%. Brookfield returned 1.01% compared to the index of 1.61%. The SSgA Bloomberg Fund increased 2.53% compared to the benchmark of 2.52%. EnTrust was down -0.25% compared to the benchmark of 1.29%. Blackstone was up 2.16% compared to the index of 1.29%.

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

11. Adjournment

Carter made a motion to adjourn the meeting; 2nd by Krafve. Vote all: Yes. The meeting adjourned at 10:37 a.m. on November 9, 2017.