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 11, 2018

1. Call to Order

Carroll called the meeting to order at 8:32 a.m. The meeting was held at the Busch Municipal Building, 840 Boonville Avenue. 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	
Nancy Martin-Hinds	Citizen	X	
Justin Milam	Citizen		X
Chris Welsh	Police	X	
Ed Cantrell (NV)	Retiree		X
James Frieze (NV)	Fire		X
Marcus Walker (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

Don Willoh and Susan Partee were also present.

2. Approval Meeting Minutes – September 13, 2018 (open session)

Welsh made a motion to approve the September 13, 2018 minutes as presented; 2nd by Carter. Vote all: Yes.

3. Approval of Financial Statement Ending August 31, 2018

- The cash balance at the end of August was $12,334,761.

- The State Street S&P 500 Flagship NL Fund increased by $2,845,614. The return was even with the index of 3.26%.
- The State Street Russell 2000 NL Fund increased by $982,299. The return was even with the index of 4.31%.
- Pictet decreased by ($1,053,358). The return was -1.88% compared to the index return of -1.93%.
- Wells Fargo decreased ($1,859,094). The return was -0.09% compared to the benchmark of -0.53%.
- Galliard increased $260,708. The return was 0.66% compared to the index of 0.60%.
- Income Research increased $350,703. The return was 0.86% compared to the index return of 0.85%.
- Brandes decreased ($266,585). The return was -1.52% compared to the index return of -0.80%.
- Brandywine had a decrease of ($859,418). The fund returned -2.70% compared to the index return of -0.73%.
- Pyramis had a decrease of ($796,660). The return was -3.30% compared to the index at -1.93%.
- Blackstone had an increase of $40,835. The fund returned 0.22% compared to the index return of 2.13%.
- Entrust had an increase of $50,475. The return was 0.28% compared to the index return of 2.13%.
- Employee contributions for the month totaled $216,582 and employer contributions totaled $454,644. Sales tax contributions totaled $2,631.00.
- Gain/Loss in market value, including managers' fees was ($304,483) for the month. Total additions were $369,480.
- Benefit payments totaled $2,187,133. Administrative expenses totaled $13,442. Net increase to the Plan was ($1,831,095).
- Total Net Assets at the end of August were $431,235,933.

Bridges made a motion to approve the financial statement ending August 31, 2018; 2nd by Welsh. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Harvey Rector	Surviving Spouse	09/26/2018	N/A	Police

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Patrick Haenni	Age & Service	24.01	$5,307.89	$707.72
Willis King	Age & Service	24.38	$3,998.78	$133.29
Gregory Rhodes	Duty Disability	18.28	$3,086.81	$1,749.19
Harvey Rector	Surviving Spouse	21.32	$2,100.05	$2,100.05

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Gregory Rhodes	Duty Disability	18.28	$51,540.04
Willis King	Age & Service	24.38	$142,675.05
Patrick Haenni	Age & Service	24.01	$174,914.88

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

7. Administrative Director's Report

Manley reported that Segal Marco will no longer have a fall seminar. There will be a spring seminar in March in Florida. The IFM contract has been signed. Pictet will be meeting with Manley and other Board members who are interested in attending on Tuesday, October 16th at 8:30 a.m.

8. Bill Payments

An invoice in the amount of $1,400.00 for the annual death audit services was presented. Carter made a motion to approve the PBI invoice in the amount of $1,400.00 as presented; 2nd by Krafve. Vote all: Yes.

An invoice in the amount of $910.00 for the disability review of Gregory Rhodes was presented. Carter made a motion to approve the Stubbe & Associates invoice in the amount of $910.00 as presented; 2nd by Krafve. Vote all: Yes.

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

Carter made a motion to move to closed session at 8:48 a.m. pursuant to Section 610.021(1) RSMo.; 2nd by Krafve. Vote Yes: Bridges, Carroll, Carter, Hoffman, Krafve, Martin-Hinds and Welsh. Vote no: none. Open session resumed at 8:51 a.m.

10. Actuarial Valuation as of June 30, 2018

Mike Zwiener, Milliman, presented the 2018 actuarial valuation. Colin Quigley, Don Willoh, Ken McClure and Jason Gage were also present.

Zwiener reported that the Fund experienced a net actuarial gain for the year ending June 30, 2018. The unfunded accrued liability went from $88 million to $70 million. When the UAL is at zero, the plan will be 100% funded. The public safety tax contributed $34 million to the Plan. If we had not had that, we would have had a $19 million loss. As the Fund gets larger, the impact of the investment return becomes more important. If it just varies 1% that is a $4 million-dollar impact. The investment return assumption is the 800-pound gorilla. There was a $12 million actuarial loss on the investment return this year. For a $400 million plan that is not terribly out of line. The last three years have not been great for investment returns. The public safety tax has fixed a lot of things. The funded ratio is 86.0% compared to last year at 82.1%. Manley reminded the Board that Milliman will be conducting the experience study soon. She said that for every quarter percent decrease in the investment rate assumption it will decrease the funded ratio by around 3%. Zwiener said that is correct. What happens over time when the Fund doesn't hit the investment return assumption, there will be an actuarial loss. You never eliminate cost, you just transfer them into the future. It would be premature to move to more conservative investments at this time. The net rate of return was 4.6% last fiscal year.

Zwiener said that every five years this Plan as well as most plans do an experience study to take a detailed look at the assumptions. The next one is due prior to June 2019. He would like authorization to do the study. One assumption change will be using a newer version of the mortality table. He would expect a 2-3% increase in liabilities. Manley said that the sales tax will be sunsetting soon and she would like to see the experience study conducted sooner rather than later if an interest rate change is necessary prior to trying to pass a sales tax extension. Zwiener said that the average rate of return of the 90 public retirement plans in Missouri is 7%.

Zwiener said that the AFC is funded by the members and so it is tracked separately. The assets are split between the police and fire. He doesn't have any other plan that has this kind of breakout. So, they have a huge spreadsheet where they break everything out. A couple of years ago Fire negotiated with the City, in lieu of pay, to fund the fire AFC. When a member retires they receive their return of contribution. The interest is used to help fund the monthly benefits. When someone retires, they get all the money they contributed back. For every contribution dollar that comes in from police, the member gets a dollar back upon retirement. The investment return is the only thing being used to pay the benefits. If we have an actuarial loss, that must be made up. The Plan needs more than a dollar to make up the loss. It needs like $14. The only thing that is making progress is the investment returns. We are trying to fix something small, but we are using very inefficient means to do it. Fire has $321,562 coming in from the City. Those dollars are more efficient because they are not being refunded to the members down the road.

Carter said that on the police side everyone who is eligible to retire may retire because of the increase in AFC every three years. Zwiener said it is a spiral. Carter questioned if Zwiener was suggesting to do away with the return of contributions. Zwiener said he's not suggesting doing away with the return of contribution. Several agreed that it is not even on the table for discussion. Carroll said that all Zwiener is saying is that the money coming directly from the City is far more powerful than any member contribution because member contributions must be returned. Manley asked if Zwiener has any feel for what number is needed to have the same reduction as fire has. Zwiener said that he doesn't know off hand, but he could make some calculations. Manley said that she thinks that information would be helpful. Carroll said that we need to be clear that the Board doesn't enter any negotiations. As a Plan, we have a vested interest, but we are not taking a stance as a Board. Welsh said 20% is kind of the magic number. When you take into account the lowest paid officer, he will be working for $9,000 a year. If he leaves, he will cost the Plan money. It will take 35-40 officers to make up for the one person who decides to leave early. Carroll said that the Board can't negotiate. Welsh said it is better for the Plan if everyone stays for 25 years. Does the increase of the AFC make up for the loss of officers? He said the Board has to look at this. It's not negotiating. It's looking at the overall Plan. Carroll said that as a Board we can't say that the calculation is going to be lower than what the actuary says it has to be. Welsh said he disagrees. The Board has to look at what it can do to have more money in the Plan. Carroll said that what he hears Welsh saying is that the Board could set a different AFC than what the actuary recommends. Welsh said that he believes the Board has. Welsh said that in 2011 the Board made it an even 2% when that wasn't the recommendation. Carroll said that he doesn't think he could personally do something different than what is recommended. Krafve said he thinks we could. Welsh said that in 2008 the recommendation was 2.8% and we came back at 3%. Krafve said that the AFC doesn't matter to the overall Fund. What matters is people leaving early and not putting in 25 years. He said that as a fiduciary he doesn't know how the Board can't do something different. Carroll questioned that by statute can the Board do that? Willoh said that he will have to take a look at it. Zwiener said that he lobbied to have the statute written very specific so that there was no discretion. That was his take on how it was supposed to work. Welsh said that in 2000 the AFC liability was \$6.3 million. Today it is \$6.8 million so whatever we are doing, we are doing it wrong. Zwiener said that he will get the calculation to Manley soon. Willoh will review the statues and report back.

Welsh questioned if when the Plan reaches 100% funded, the AFC will be zero. Several said no. Welsh said he doesn't understand that. Zwiener said that because the AFC is kept track of separately. Zwiener said that when we say that the Plan is 100% funded that is everything as long as we meet all assumptions including achieving the correct rate of return, people pass away when they are supposed to, etc. The AFC calculations are independent of the Fund as a whole.

Bridges made a motion to authorize Milliman to conduct the experience study to present at the December meeting; 2nd by Welsh. Vote all: Yes.

Manley said that she wanted to clarify that the disabled pensioners who earn over the allotted amount are not included in any calculations that Milliman does. Zwiener said that no, they are not. Carter asked if the Board could ask Council to revisit the income verification process. Manley said yes, but the timing is not good right now. The sales tax takes priority right now.

Carter made a motion to approve the actuarial valuation as of June 30, 2018 and the GASB report as presented by Milliman with no current changes to the Plan; 2nd by Welsh. Vote all: Yes.

11. Adjournment

Carter made a motion to adjourn the meeting; 2nd by Welsh. Vote all: Yes. The meeting adjourned at 10:38 a.m. on October 11, 2018.

 Secretary Signature: Nikki White