CITY of SPRINGFIELD

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

Minutes
October 10, 2019

1. Call to Order

Bridges called the meeting to order at 8:30 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	President	X	
Paul Carroll	Citizen	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	
Andrew Lear (NV)	City Council Liaison	X	
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

Don Willoh was also present.

2. Approval Meeting Minutes – September 12, 2019 (open session)

Welsh made a motion to approve the September 12, 2019 minutes as presented; 2nd by Carter. Vote all: Yes.

3. Approval of Financial Statements Ending August 31, 2019

- The cash balance at the end of August was $2,383,775.

- The State Street S&P 500 Flagship NL Fund decreased by ($1,328,110). The return was -1.59% compared to the index of -1.58%.
- The State Street Russell 2000 NL Fund decreased by ($1,080,985). The return was -4.93% compared to the index of -4.94%.
- Pictet decreased by ($2,335,470). The return was -4.35% compared to the index return of -2.59%.
- Wells Fargo decreased ($1,039,456)). The return was -2.23% compared to the benchmark of -4.88%.
- Galliard increased $637,163. The return was 1.42% compared to the index of 1.49%.
- Income Research increased $3,756,244. The return was 7.76% compared to the index return of 7.87%.
- Brandes decreased ($609,817). The return was -4.05% compared to the index return of -2.62%.
- Brookfield increased $191,805. The return was 1.66% compared to the index return of 1.87%.
- Invesco increased $297,033. The return was 1.48% compared to the index return of -.058%.
- Brandywine had a decrease of ($530,356). The fund returned -1.66% compared to the index return of 2.22%.
- Pyramis had a decrease of ($1,081,182). The return was -4.17% compared to the index at 0.55%.
- Blackstone had an increase of $27,229. The fund returned 0.31% compared to the index return of 0.77%.
- Entrust had a decrease of ($111,657). The return was -1.81% compared to the index return of 0.77%.
- Employee contributions for the month totaled $234,792 and employer contributions totaled $447,873.
- Gain/Loss in market value, including managers' fees was ($3,207,559) for the month. Total additions were ($2,524,894).
- Benefit payments totaled $2,286,096. Return of contributions were $136,309. Administrative expenses totaled $15,652. Net increase to the Plan was ($4,962,951).
- Total Net Assets at the end of August were $454,467,125.

Carter made a motion to approve the financials ending August 31, 2019; 2nd by Hoffman. Vote all: Yes.

4. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Jonnathan Bartel	Age & Service	25.00	$5,199.22	$693.23

Steven Hosiner	Age & Service	25.00	$5,105.43	$510.54
Christopher Johns	Age & Service	25.00	$3,958.37	$395.84
Todd King	Age & Service	25.00	$6,262.46	$626.25
William Penland	Surviving Spouse	28.52	$5,501.59	$2,307.12
Randall Pruett	Final Check	22.35	$3,668.20	$1,345.01

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Jonnathan Bartell	Age & Service	25.00	$175,510.48
Todd King	Age & Service	25.00	$198,482.59
Steven Hosiner	Age & Service	25.00	$176,835.84
Christopher Johns	Age & Service	25.00	$158,835.99

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

7. Administrative Director's Report

Manley reported that IFM made a $15 million capital call. This will probably come from Brandywine. Blue Ocean was funded $1.9 million.

Manley has started the annual income verification process.

An invoice for the death audit monitoring by PBI Research Services. Carter made a motion to pay the PBI

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

Carroll made a motion to move to closed session at 8:45 a.m. pursuant to Section 610.021(1, 3, 13) RSMo.; 2nd by Carter. Vote Yes: Bridges, Carroll, Carter, Hoffman, Krafve, Milam and Welsh. Vote no: none. Open session resumed at 9:00 a.m.

9. Actuarial Valuation as of June 30, 2019

Mike Zwiener, Milliman, presented the 2019 actuarial valuation.

The big story this year is the impact of the assumptions. The unfunded accrued liability increased by $60,951,257 due to assumption changes. The two big factors are the change in the interest rate from 7.0% to 6.5% ($40 million) and the adoption of the new mortality table ($20 million). If your assumptions are overly optimistic over time you will have actuarial losses. If you assume 7.0% and you miss that year after year, it's a bad trend. The idea is to choose assumptions closest to what we expect the experience to be. The new mortality table is specifically for safety employees. There isn't any way you really can't recognize that. If you don't adopt industry standard tables, it puts you in a position to be asked why this plan isn't utilizing them.

For the period ending June 30, 2019 the net market rate of return was 4.0%. The net actuarial rate of return for the period was 5.1% versus the assumed rate of 7.0%. The sales tax revenue was $33,691,589. The funded ratio is 80.3% using actuarial value of assets. Last year the funded ratio 86.0%, but more realistic assumptions were implemented this year. Zwiener said that if the public safety tax continues, he would expect the progression to pick back up. Manley asked Zwiener if the 6.5% is where we need to be, or should it be lower? He said the models might produce something lower, but one needs to be realistic. The most common percentage by far is 7.0% for Missouri public sector pension plans. There's a hand full that are below 7.0%. With the asset allocation and the fact that the plan is closed, he's pleased with where we are at.

Lear asked is reaching 100% funded status is achievable if the sales tax is renewed? Zwiener said that based on the current assumptions, he would expect so. But, if two to three years down the road and you continue to have low interest rates and you continue to have subpar equities and returns and you're not getting 6.5%, you have an obligation to look at something lower. However, he thinks we need to let experience develop. A 50-basis point cut is significant to do all at once. Carroll said that when the actuarial valuation says 100%, the tax will sunset. Zwiener said that if the tax doesn't pass, he wouldn't call it an immediate crisis. This fund will still be solvent for decades. It's a matter of whether you pass it to future generations or if there's obligation to take care of it.

Carroll made a motion to approve the actuarial valuation as of June 30, 2019 and the GASB report as presented by Milliman; 2nd by Carter. Vote all: Yes.

10. Adjournment

Carroll made a motion to adjourn the meeting; 2nd by Krafve. Vote all: Yes. The meeting adjourned at 9:57 a.m. on October 10, 2019.

 10/10/19 Secretary Signature: Nikki White