CITY of SPRINGFIELD

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

# Minutes
## May 14, 2020

1. Call to Order

Bridges called the meeting to order at 8:22 a.m. The meeting was held via Zoom due to the City of Springfield being closed because of the Covid-19 pandemic. 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 | |
| Tony Kelley (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, City Attorney's Office, was also present.

2. Legal Matters – Closed Session, pursuant to Section 610.021, RS MO.

Welsh made a motion to move to closed session at 8:23 a.m. pursuant to Section 610.021(1, 3, 13) RSMo.; 2nd by Fraley. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none. Open session resumed at 8:41 a.m. Gail Church, Human Resources, joined the meeting when the open session resumed.

3. Approval Meeting Minutes – April 9, 2020 (open session)

Carroll made a motion to approve the April 9, 2020 minutes as presented; 2nd by Fraley. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none.

4. Approval of Financial Statement Ending March 31, 2020

- The cash balance at the end of March was $3,133,819.
- The State Street S&P 500 Flagship NL Fund decreased by ($10,330,235). The return was even with the index of -12.35%.
- The State Street Russell 2000 NL Fund decreased by ($4,494,691). The return was even with the index of -21.73%.
- Pictet decreased by ($9,005,527). The return was -18.11% compared to the index return of -13.35%.
- Wells Fargo decreased ($7,795,352). The return was -15.64% compared to the benchmark of -15.40%.
- Galliard decreased ($1,100,238). The return was -2.35% compared to the index of -2.32%.
- Income Research decreased ($650,960). The return was -1.20% compared to the index of -2.86%.
- Brandes decreased ($2,545,991). The return was -18.24% compared to the index return of -18.33%.
- Brookfield decreased ($2,380,827). The return was -21.76% compared to the index return of -22.76%.
- Invesco decreased ($572,019). The return was -2.83% compared to the index return of -8.96%.
- Vanguard had a decrease of ($729,669). The return was -3.09% compared to the index of -2.88%.
- Pyramis had a decrease of ($4,161,602). The return was -15.98% compared to the index at -12.56%.
- Prudential had an increase of $97,085. The return was 1.41% compared to the index of 0.90%.
- Blue Ocean had an increase of $47,283. The return was 0.69% compared to the index of -0.59%.
- Blackstone had a decrease of ($1,299,048). The fund returned -5.83% compared to the index return of -4.27%.
- Entrust had a decrease of ($772,405). The fund returned -15.26% compared to the index of return of -4.27%.
- IFM had a decrease of ($470,285). The return was -3.09% compared to the index of -15.46%.
- Employee contributions for the month totaled $224,833 and employer contributions totaled $433,144. Sales tax contributions totaled $3,159,173.

- Gain/Loss in market value, including managers' fees was ($45,908,024) for the month. Total additions were ($46,014,360).

- Benefit payments totaled $2,325,105. Return of contributions totaled $139,914. Administrative expenses totaled $14,417. Net increase to the Plan was ($44,676,646).

- Total Net Assets at the end of March were $424,585,812.

Welsh made a motion to approve the financials ending March 31, 2020; 2nd by Carter. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none.

5. Review of Applications

| Retiree's Name | Application Type | Application Date | Retirement Date | Department |
|---|---|---|---|---|
| Charles Bishop | Surviving Spouse | 05/04/20 | N/A | Fire |
| Bob Dean | Surviving Spouse | 04/24/20 | N/A | Police |
| Jerry Wood | Surviving Spouse | 05/04/20 | N/A | Fire |

Carter made a motion to accept the applications as presented above; 2nd by Carroll. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none.

6. Review of Calculations

| Name | Type | Years of Service | Monthly Pension Amount | Partial Pension Amount |
|---|---|---|---|---|
| Charles Bishop | Final Check | 30.20 | $3,699.74 | $1,109.92 |
| Charles Bishop | Surviving Spouse | 30.20 | $2,642.66 | $1,849.86 |
| Bob Dean | Final Check | 30.94 | $4,976.76 | $1,658.92 |
| Bob Dean | Surviving Spouse | 30.94 | $3,554.80 | $2,369.86 |
| Sonny Cantrell | Widow's Final Check | 20.45 | $2,593.15 | $2,007.60 |
| Bob Graves | Widow's Final Check | 32.19 | $2,973.98 | $1,387.86 |
| Richard Wells | Widow's Final Check | 25.60 | $2,101.67 | $700.56 |
| Jerry Wood | Final Check | 20.86 | $4,171.72 | $1,529.63 |
| Jerry Wood | Surviving Spouse | 20.86 | $2,790.61 | $1,767.38 |

Carter made a motion to accept the calculations as presented above; 2nd by Carroll. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none.

7. Administrative Director Report

Manley reported that Lennis Marcotte presented an application for duty disability. The application was discussed during the closed session.

Carter made a motion to accept Lennis Marcotte's application and to accept the opinion of the treating physician and send him to one additional physician; 2nd by Carroll. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none.

Manley presented an invoice for White's public official bond. Carter made a motion to pay the Nixon & Lindstrom invoice in the amount of $1,925.00; 2nd by Welsh. Vote Yes: Bridges, Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none.

Manley offered her assistance to Willoh regarding the Troy Smith buyback and the income verification process review.

Gail Church exited the meeting.

8. Board President Election

Manley stated that Bridges has agreed to serve another year as Board president. She asked if there were any other nominations.

Fraley made a motion to elect Bridges as the Board president with a term to expire in April 2021. 2nd by Carroll. Vote Yes: Carroll, Carter, Fraley, Hoffman, Krafve, Martin-Hinds, Milam and Welsh. Vote no: none. Bridges abstained.

9. Quarterly Investment Report – Segal Marco

Jeff Boucek and Rob Hungerbuhler joined the meeting to present the quarterly report. The beginning market value in July 2019 was $453,115,000. The ending market value in March 2020 was $419,965,000. The return on investment for the fiscal year is ($38,769,000) which is -8.4%.

The Flagship Fund returned -19.59% compared to the index of -19.60%. The Russell 2000 returned -30.61% which was even with the index. Pictet returned -28.46% compared to the benchmark of -5.63%. Brandes returned -27.79% compared to the index of -27.52%. Wells Capital returned -22.75% compared to the index of -23.60%. Galliard returned -0.06% compared to the index of 2.49%. IR&M returned 8.40% compared to the index of 6.21%. Vanguard returned -1.49% compared to the index of -1.22%. FIAM returned -15.99% compared to the benchmark of -13.38%. Prudential returned 1.66% compared to the index of 0.92%. Brookfield returned -28.20% compared to the index of -28.53%. EnTrust returned -16.07% compared to the benchmark of -7.07%. Blackstone returned -6.10% compared to the benchmark of -7.07%. Invesco returned -7.94% compared to the index of -13.23%. IFM returned -3.65% compared to the index of -21.38%. The total plan returned -13.57% for the quarter compared to the policy index of -14.20%.

10. Private Credit & Equity Education Overview – Segal Marco

Michael St. Germain, Segal Marco, presented the following information.

**What is private equity?**
Privately placed investments in the unregistered securities of private and public companies.

- Consists of equity securities and debt in operating companies that are not publicly traded on a stock exchange
- A private equity investment will generally be made by a private equity firm, a venture capital firm or an angel investor

Private equity investments encompass a broad range of opportunities, both domestically and internationally, including: venture capital, buyouts/corporate finance, mezzanine financing, secondary funds, special situations investing – distressed/turnaround – structured finance – special niche opportunities

**Why invest in private equity?**

Premium returns over public equity securities

- Opportunities in less efficient market
- Capture of an illiquidity premium – Private companies tend to sell at a multiple that is at a discount to listed comparables, which serves to compensate investors for relative illiquidity
- Control of the investment

Diversification

- Low correlation and lower volatility relative to traditional investments mitigates overall portfolio risk
- Exposure to developing segments of the domestic and international economy and equity markets

Investment time frame is an opportunity for long-term investors such as pension funds

- Investors with longer term view benefit
- Private companies not under pressure to produce immediate results and can focus on value creation over time

**Asset Class Primer: Private Credit & Alternative Fixed Income**

- Private Credit offers distinct advantages and appeal in a low return environment, but the proliferation of sub-asset classes and strategies has resulted in a broad asset class with different strategies and risk/return profiles that can be utilized in various manners in a broader portfolio construction context.
- This emerging asset class includes many different sub-strategies, each with its own unique set of characteristics, including risk/return profiles, position in the capital structure, prepayment terms, a borrower profile and levels of liquidity. The breadth and depth of this relatively nascent asset class includes investing in quasi-liquid to illiquid and nonmarketable debt-related securities.
- Similar to traditional FI securities, private credit investments typically have: Seniority over preferred and common equity, offer contractual interest payments – either fixed or variable, governed by a loan agreement or indenture, backed by collateral.
- Unlike traditional FI securities, private credit investments are generally illiquid and nonmarketable and have borrowers that are generally smaller in size with financing structures that are more tailored to meet issuers' needs.
- The wide spread in prospective private credit opportunities means these strategies can invest across the capital structure and liquidity spectrum.

**Direct Lending**

- Private loans that are not publically traded
- Capital used typically for 2 purposes:
  - Leveraged Buyout financing for PE firms (Sponsored)
  - Direct financing to smaller private companies (Non-Sponsored)
- Most strategies consist of senior secured, floating rate coupons with 1% LIBOR floors that offer reduced interest rate risk
- Typical fund life of six to 10 years
- Once loans are made, coupon payments begin immediately, mitigating Jcurve and providing cash flows back to investors
- Attractive yield premiums relative to the public market credit and broadly syndicated debt strategies
- Protection against permanent capital loss due to capital structure seniority
- Targeted IRR of 8% to 12%, typically

• A company's capital structure typically consists of a blend of debt and equity with varying degrees of risk and expected return for investors in the company

**Opportunistic Credit Overview**

• Flexible investment strategies targeting diversified portfolios of credits catalyzed by market stress and dislocations

• Typically, short to mid-term investment horizons (2-5 year funds) and focused on corporate credit

• Investment strategies span performing/non-performing loans, securitized credits and asset-based lending, special situations and opportunities arising from market dislocations in stressed and distressed markets

• Investments include structured value-added lending opportunities, private to public origination of illiquid credit investments brought to liquid markets, primary or secondary private or public debt at deep discounts to par

Boucek suggested funding from long bonds and bringing two potential managers to the Board in June. He suggested $15-20 million for each manager for a total of $30-40 million.

Carter, Fraley, Kelley, Walker and Welsh exited the meeting during the educational session.

Carroll made a motion to accept the quarterly investment report as presented; 2nd by Milam. Vote Yes: Bridges, Carroll, Hoffman, Krafve, Martin-Hinds and Milam. Vote no: none.

11. Adjournment

Carroll made a motion to adjourn the meeting; 2nd by Milam. Vote Yes: Bridges, Carroll, Hoffman, Krafve, Martin-Hinds and Milam. Vote no: none. The meeting adjourned at 10:39 a.m. on May 14, 2020.

 Secretary Signature: Nikki White