CITY of SPRINGFIELD

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

Minutes
October 8, 2020

1. Call to Order

Bridges called the meeting to order at 8:30 a.m. The meeting was held at the Hilton Garden Inn - 4155 S. Nature Center, Springfield, MO 65804. 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	
Marcus Walker	Police	X	
Ed Cantrell (NV)	Retiree	X	
Tony Kelley (NV)	Fire	X	
Matt Shackelford (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. Approval Meeting Minutes – September 10, 2020

Carter made a motion to approve the September 10, 2020 minutes as presented; 2nd by Martin-Hinds. Vote all: Yes.

3. Approval of Financial Statement Ending August 31, 2020

- The cash balance at the end of August was ($724,742)

- The State Street S&P 500 Flagship NL Fund increased by $6,688,611. The return was even with the index of 7.19%.

- The State Street Russell 2000 NL Fund increased by $1,173,302. The return was even with the index of 5.63%.

- Pictet increase by $3,302,001. The return was 7.05% compared to the index return of 5.14%.

- Wells Fargo increased $1,054,752. The return was 1.87% compared to the benchmark of 2.21%.

- Galliard increased $118,874. The return was 0.20% compared to the index of -0.06%.

- Income Research decreased ($16,171,816). The return was -3.59% compared to the index of -3.75%. $15 million was transferred to Loomis.

- Brandes increased $442,242. The return was 3.25% compared to the index return of 6.85%.

- Brookfield increased $274,791. The return was 2.85% compared to the index return of 2.52%.

- Invesco increased $469,137. The return was 2.42% compared to the index return of 3.63%.

- Vanguard had an increase of $6,962,195. The return was even with the index of 0.19%. There was a contribution of $7 million from cash and a disbursement of $85,000 to Blue Ocean.

- Pyramis had an increase of $349,013. The return was 1.37% compared to the index at 0.30%.

- Blue Ocean had an increase of $495,160. The return was 0.80% compared to the index of -0.81%. There was a contribution of $85,432 from Vanguard. (Net of $417,000 capital call and $331,000 distribution)

- Blackstone had an increase of $299,800. The fund returned 1.37% compared to the index return of 0.92%.

- Entrust had an increase of $127,192. The fund returned 3.61% compared to the index of return of 0.92%.

- IFM had an increase of $5,755. The fund returned 0.04% compared to the index of 0.39%.

- Employee contributions for the month totaled $214,552 and employer contributions totaled $413,391.

- Gain/Loss in market value, including managers' fees was $13,708,394 for the month. Total additions were $14,336,337.

- Benefit payments totaled $2,424,874. Refunds of contributions totaled $319,943. Administrative expenses totaled $15,291. Net increase to the Plan was $11,576,229.

- Total Net Assets at the end of August were $504,922,968.

Carroll made a motion to approve the financials ending August 31, 2020; 2nd by Krafve. Vote all: Ye

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Clarence Donaldson	Surviving Spouse	09/30/20	N/A	Fire
Richard Smith	Surviving Spouse	09/23/20	N/A	Fire

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Scott Lambeth	Age & Service	25.00	$3,912.56	$2,217.12
Justin Merritt	Age & Service	25.00	$4,284.68	$2,713.63
Clarence Donaldson	Surviving Spouse	24.08	$2,695.80	$1,437.76
Richard Smith	Surviving Spouse	27.78	$3,308.31	$853.76
James Johnson	Widow's Final Check	20.13	$2,097.36	$419.47
Clarence Donaldson	Final Check	24.08	$3,492.57	$1,629.87
Richard Smith	Final Check	27.78	$4,594.86	$3,409.09
Gary Brown	Final Check	30.61	$5,895.67	$393.04

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Justin Merritt	Age & Service	25.00	$162.515.33
Scott Lambeth	Age & Service	25.00	$153,197.61

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

7. Administrative Director Report

Manley reported that she has received two duty disability opinions for Tony Kelley. Carter made a motion to approve Tony Kelley's duty disability; 2nd by Carroll. Vote all: Yes.

Manley informed the Board that there will be a meeting with Council's finance and administration committee on October 14th to discuss the elimination of section 2-477 which pertains to verifying income of disability recipients.

The investment committee has reviewed the asset mixes proposed for consideration by Segal Marco. They recommend that the Board adopt Mix 4 which includes the following: 20% fixed income, 48.5% equity and 31.5% alternatives. Krafve made a motion to approve Mix 4 as the new asset allocation for the Plan; 2nd by Carter. Vote all: Yes.

White presented a breakdown of the printing/mailing expenses per year to determine if it is cost effective for the Board to purchase iPads for Board member use. The total cost is approximately $1,275.37 per year. The cost of 12 new iPads is $4,428. The iPads are expected to last a minimum of five years. If the cost is spread out over five years, the total is $885.60 per year which is a savings of $389.77 per year. The benefits of having the iPads are reducing paper usage while giving Board members instant access to all current and past meeting documents. It was suggested that the number of iPads be changed to 14 to include Manley and White. Carter made a motion to purchase 14 new iPads for Board member use; 2nd by Carroll. Vote all: Yes.

8. Actuarial Valuation as of June 30, 2020

Mike Zwiener, Milliman, presented the 2020 actuarial valuation.

The System experienced a net actuarial gain for the year. The unfunded accrued liability as of June 30, 2019 was $116,087,776. The unfunded accrued liability as of June 30, 2020 was $96,569,750 which is significant progress. For the period ending June 30, 2020 the net market rate of return was 1.7%. The net actuarial rate of return for the period was 4.5% versus the assumed rate of 6.5%. The sales tax revenue was $34,063,300. The funded ratio is 84.0% using actuarial value of assets. The funded ratio in 2019 was 80.3%. The current funded ratio is in the top half of Missouri retirement plans and the rate of return is lower than the median of Missouri plans which is 7.0%.

Cantrell exited the meeting and didn't return.

Carter asked Zwiener if he's still comfortable with the 6.5% rate of return. Zwiener said that we are more conservative than the majority of the plans out there, but his models are something lower. He's pleased that we are at 6.5% because he has plans that are 7.0-7.25% and they won't come down. He certainly wouldn't complain if the Board wanted to look at lowering the rate again. Several agreed that the Board should revisit the rate of return prior to next July and seriously consider lowering it. Zwiener will present some models in the next few weeks to show the impact of adjusting the rate of return.

Carroll made a motion to approve the actuarial valuation as of June 30, 2020 as presented by Milliman; 2nd by Milam. Vote all: Yes.

9. Private Credit Manager Presentations – Facilitated by Segal Marco

EnTrust Global presented information on their Global Recovery Fund. The fund will invest in opportunities stemming from the significant dislocation of high-quality assets across the credit and equity markets created by the global pandemic and related economic shutdown. The recovery fund will leverage their long-standing opportunistic co-investment platform to invest in a diverse range of investments across the capital structure. Co-investments incepted during August 2008 and December 2010 generated a realized unlevered IRR of 33.31% and MOIC of 2.12x. During the COVID-19 dislocation, Entrust Global deployed over $550 million in eight credit and equity investments, which have already generated gains of over $78M[2]. EnTrust Global has monetized over $7.2 billion across 63 opportunistic investments since inception of the strategy in 2007.

Marathon presented its Distressed Credit Fund. Marathon has over $10 billion in distressed investments since 2008 and 94 distressed investments over the past decade with involvement in more than 40 creditors' committees. Marathon's distressed investment team has deployed capital through multiple private credit vehicles, several credit cycles, and numerous industries and geographies. In 2009-2020 their distressed investing track record IRR of 36% and MOIC of 1.4x. 2009-2015 drawdown vehicle fund net IRR of 16.7% and MOIC of 1.98x.

Milam expressed concern over the fees. Krafve said that there's a tremendous amount of work that goes into these investments and he would rather pay them for their work and get more returns instead of investing more money into bonds.

Krafve made a motion to invest $20 million into the Entrust Global Recovery Fund and $20 million into Marathon Distressed Credit Fund and give Entrust the latitude to add equities to the broad Entrust Fund; 2nd by Milam. Vote all: Yes.

10. Invoice – Disability Review

Carroll made a motion to approve payment of the Cox Health invoice in the amount of $800.00 for Tony Kelley's disability review and to pay the nurse consultant invoice which Manley anticipates being less than $500.00; 2nd by Carter. Vote all: Yes.

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

Carter made a motion to move to closed session at 11:31 a.m. pursuant to Section 610.021(1, 3, 13) RSMo.; 2nd by Carroll. Vote Yes: Bridges, Carroll, Carter, Hoffman, Krafve, Martin-Hinds, Milam and Walker. Vote no: none. Open session resumed at 11:40 a.m.

12. Adjournment

Carroll made a motion to adjourn the meeting; 2nd by Carter. Vote all: Yes. The meeting adjourned at 11:41 a.m. on October 8, 2020.