CITY of SPRINGFIELD

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

Minutes
February 11, 2021

1. Call to Order

Bridges called the meeting to order at 8:30 a.m. The meeting was held via Zoom. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Mike Bridges	President	X	
Paul Carroll	Citizen	X	
Adam Carter	Fire	X	
Ron Hoffman	Retiree		X
Gus Krafve	Citizen	X	
Nancy Martin-Hinds	Citizen	X	
Justin Milam	Citizen	X	
Andy Stewart	Citizen	X	
Marcus Walker	Police	X	
Ed Cantrell (NV)	Retiree		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

Lance Roskens, city attorney's office, was also present.

2. Approval Meeting Minutes – January 14, 2021

Carroll made a motion to approve the January 14, 2021 minutes as presented; 2nd by Carter. Vote all: Yes.

3. Approval of Financial Statement Ending December 31, 2020

- The cash balance at the end of December was $3,025,253.
- The State Street S&P 500 Flagship NL Fund increased by $3,977,149. The return was even with the index of 3.84%.

- Pictet increased by $2,643,764. The return was 4.63% compared to the index return of 4.65%.
- Wells Fargo increased $5,163,994. The return was 8.09% compared to the benchmark of 7.35%.
- Galliard increased $241,281. The return was 0.47% compared to the index of 0.22%.
- Income Research decreased ($92,098). The return was -0.22% compared to the index of 1.90%.
- Brandes increased $1,128,517. The return was 11.12% compared to the index return of 1.90%.
- Brookfield increased $628,092. The return was 3.40% compared to the index return of 3.50%.
- Invesco increased $724,276. The return was 3.50% compared to the index return of 3.30%.
- Vanguard had a decrease of ($2,942,629). The return was even with the index of 0.03%. $3,025,482 was transferred to Marathon.
- Fidelity had an increase of 648,709. The return was 2.47% compared to the index at 1.79%.
- Prudential had an increase of 61,655. The return was 1.22% compared to the index at 1.36%.
- Blue Ocean had an increase of $84,767. The return was 0.73% compared to the index of 0.10%.
- Blackstone had an increase of $584,839. The fund returned 2.58% compared to the index return of 1.90%.
- Entrust had an increase of $396,780. The fund returned 11.12% compared to the index of return of 1.90%.
- IFM had an increase of $576,811. The fund returned 3.70% compared to the index of 1.40%.
- Loomis had an increase of $393,282. The fund returned 2.46% compared to the index return of 0.10%.
- Meridian had an increase of $1,097,128. The fund returned 9.15% compared to the index return of 9.30%.
- Systematic had an increase of $900,714. The fund returned 7.41% compared to the index return of 7.92%.
- Employee contributions for the month totaled $206,694 and employer contributions totaled $400,426.
- Sales tax contributions totaled. $3,363,903.
- Gain/Loss in market value, including managers' fees was $19,380,210 for the month. Total additions were $23,351,494.

- Benefit payments totaled $2,448,546. Refunds of contributions totaled $483,527. Administrative expenses totaled $45,103. Net increase to the Plan was $20,374,31.
- Total Net Assets at the end of December were $552,707,443.

Carroll made a motion to approve the financials ending December 31, 2020; 2nd by Milam. Vote all: Yes. Krafve added that our asset allocation is working, and he encouraged the Board to stay the course.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Dawn Davis	Age & Service	01/19/21	05/08/21	Police
Richard Noble	Age & Service	01/21/21	02/21/21	Police
James Stacy	Age & Service	01/27/21	03/06/21	Police
David Stretch	Age & Service	12/14/20	02/02/21	Police

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Heath Aldridge	Age & Service	26.72	$5,121.35	$495.61
James Calhoon	Age & Service	22.40	$4,226.79	$1,636.18
Larry Craig	Widow's Final Check	13.89	$2,044.57	$1,121.22
Josh McCain	Age & Service	25.00	$4,812.68	$2,173.47
Aaron Roy	Age & Service	24.78	$3,980.02	$1,540.65
Greg Sly	Age & Service	20.00	$3,479.08	$448.91
Brian Steen	Age & Service	25.00	$5,011.71	$2,748.36
David Stretch	Age & Service	20.27	$3,319.87	$3,201.30

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Aaron Roy	Age & Service	24.78	$153,338.39
James Calhoon	Age & Service	22.50	$169,029.00
Heith Aldridge	Age & Service	26.00	$190,338.39
David Stretch	Age & Service	20.00	$104,543.27
Brian Steen	Age & Service	25.00	$144,897.45
Greg Sly	Age & Service	20.00	$59,604.56
Josh McCain	Age & Service	25.00	$38,925.97

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

7. Administrative Director Report

Manley reported that Carroll and Krafve's terms are up in April. They have served two terms and are not eligible for reappointment. Manley asked Board members to contact her with suggestions of individuals in the financial and investment field.

Manley said that the purchasing department has agreed to extend the investment consultant contract for another year. An RFP for the actuary contract will be distributed. Milliman's current contract will end June 30, 2021.

The MAPER's conference July 14-16th will meet the annual training requirement. At this time, an in-person conference is planned. The fiduciary training is tentatively scheduled for the April Board meeting.

Manley presented the annual fiduciary insurance premium. The new premium is $52,779. The additional coverage provided is $2,150,000. This includes HIPAA from $500,00 to $2,150,000, guaranteed renewal indorsement with a 5% premium increase cap, $250,000 added to employee plans compliance and increased for 4975 from $50,000 to $250,000. If the Board doesn't want the additional coverage, the premium falls to $50,026 for existing coverage, but the guaranteed renewal endorsement is not included. Several agreed that the 5% cap as well as the guaranteed renewal are valuable. Milam made a motion to renew the fiduciary insurance coverage including the additional coverage with the total premium of $52,779/year; 2nd by Krafve. Vote all: Yes.

Galliard has reached out regarding meeting with the Board. Manley will contact them about meeting virtually. Manley also reported that she will be working with Roskens on the IPS revisions. They will also work on the multiplier for vested members whom are now eligible for retirement. This will have to go before Council.

Stewart joined the meeting.

8. Quarterly Investment Report – Segal Rogerscasey

The beginning market value in July 2020 was $469,040,000. The ending market value in December 2020 was $547,590,000. The return on investment for the fiscal year is $73,606,000 which is 15.6%.

The Flagship Fund returned 12.16% compared to the index of 12.15%. ArrowMark returned 28.49% compared to the index of 29.61%. Systematic returned 28.48% compared to the index of 33.36%. Pictet returned 22.83% compared to the benchmark of 16.05%. Brandes returned 23.31% compared to the index of 17.27%. Wells Capital returned 22.30% compared to the index of 19.70%. Galliard returned 1.10% compared to the index of 0.42%. IR&M returned 1.61% compared to the index of 1.68%. Vanguard returned 0.97% compared to the index of 0.95%. FIAM returned 6.50% compared to the benchmark of 5.80%. Prudential returned 1.47% compared to the index of 1.36%. Brookfield returned 13.81% compared to the index of 13.26%. EnTrust Diversified Fund returned 10.85% compared to the benchmark of 5.78%. Blackstone returned 4.40% compared to the benchmark of 5.78%. EnTrust Blue Ocean returned 0.00% compared to the index of 0.67%. Loomis returned 7.04% compared to the index of 0.67%. Invesco returned 9.35% compared to the index of 10.19%. IFM returned 4.23% compared to the index of 8.47%. The total plan returned 10.90% for the quarter compared to the policy index of 10.44%.

Hungerbuhler questioned if there was any interest in rebalancing the Fund. Krafve said that if we do, he would like to see us take it from fixed income. He would look at IRM and Galliard. Hungerbuhler said they would be supportive of that as well.

Carroll made a motion to accept the quarterly investment report as presented; 2nd by Martin-Hinds. Vote all: Yes.

9. Private Equity Search – Segal Rogerscasey

Hungerbuhler said we would be looking at a 3-5% investment. Private Equites are privately placed investments in the unregistered securities of private and public companies. They consist 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, and special niche opportunities.

Why invest in private equities? 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 Overview

Private Equity Asset Class: Private equity is a unique asset class in many respects. Since the investments are privately negotiated transactions outside the domain of publicly traded securities, private equity investments are illiquid, information is scarce, and returns are measured by the internal rate of return (IRR) as opposed to the time weighted rate of return (e.g., monthly or quarterly). In addition, individual private equity funds are structured as long-term partnerships, typically lasting from 10 to 15 years, with limited partners, for the most part, locked in for the duration of the fund. As such, performance results typically do not become meaningful until five to seven years into a fund due to the J-Curve effect. In addition, the particular vintage year(s) in which investments are made contribute to the performance of funds.

Asset Class Unique Characteristics: Typically, there is a large dispersion of returns between the best and worst performing private equity managers. For example, the difference between a top and bottom quartile private equity manager is significantly wider as compared to public equity or fixed income asset classes. To compensate for the illiquidity and additional risks of the private equity asset class, most investors seek "top quartile returns" otherwise, they could have invested in public equities or other higher risk/return opportunities. As a result, there is significantly more demand for the best private equity managers, particularly those that have earned top quartile returns. This creates an access dilemma, particularly for new entrants into the asset class. Combined with the high minimum investments (at least $5 to $10 million) of individual private equity funds, a strong case can be made for investing with an experienced and skillful private equity fund of funds manager, private equity secondary manager, or private equity co-investment manager.

Benefits of Fund of Funds: Fund of funds provide diversification by sub-sector, vintage year, sector, geography, and other factors. For example, a fund of funds can provide diversification across a number of private equity funds, often between 15 and 50 individual venture capital, buyout, and other types of funds, representing 150 to 500 individual portfolio companies. Lastly, a private equity fund of funds manager will seek to negotiate key terms of the partnership agreement, and will monitor and report on investments over the life of the fund, as well as assist in managing the distribution process.

Private Equity Secondary Investing: Provides similar benefits as private equity fund of funds; however, has additional attributes which are attractive for investors: Private equity secondary funds help to mitigate the J-Curve effect and provide visibility into holdings in the underlying funds. Secondary funds typically invest in an underlying private equity fund three to seven years into the fund's life, which is at the tail end or after the investment period, thus assessing less management fees and providing earlier distributions. Secondary managers are very focused on the initial purchase of the limited partnership interest as the discount to current holding value is one of the key drivers of the total return. Secondary funds are meant to be opportunistic in nature, but attempt to provide diversification by sub-sector, vintage year, sector, geography, and other factors.

Direct/Co-investments: Helps to mitigate some of the J-Curve effect by investing directly into portfolio companies alongside primary fund managers, typically without fees and carried interest and often provides an earlier return of capital.

Recommended Candidates

GCM Grosvenor	Secondary Opportunities Fund III	Not Yet Rated	• Experienced global platform with two dedicated predecessor secondary funds since 2015 and many dedicated secondary separate account mandates since 2003 • Leverages the broader GCM Grosvenor firm as well as the primary team to underwrite transactions • Diversifeid mandate includes traditional and direct transactions, which encompasses the majority of the secondary market
LGT Capital Partners	Crown Secondaries Special Opportunities II (CSSO II)	Recommended	• Experienced global asset manager with four commingled traditional secondary programs and two co-investment commingled funds since its inception. CSSO II will be the second dedicated, commingled secondary special opportunities vintage, with its predecessor (CSSO I) launched in 2015 with $420 in capital commitments • Designed to develop a portfolio with a differentiated source of buyout like returns with structural downside protection, potential for early liquidity, and lower fees • Principally focuses on direct equity secondaries, with the balance largely in other non traditional secondaries, that offer the benefit of investing into a single asset with increased visibility on value creation under private equity ownership
Partners Group	Partners Group Secondary 2020	Recommended	• Well regarded global investment management firm, with 23 years of investment experience, and over $80B in AuM across a broad private investment platform including equity, debt, real estate and infrastructure • The Secondaries team benefits from the Firm's global presence with over 200 professionals involved in private equity secondary sourcing and a dedicated team of 50+ investment professionals • PG's Secondary platform continues to focus on quality assets with strong recovery potential. The secondary approach focuses on relatively younger and higher unfunded secondary opportunities to mitigate dependence on near term exits while maintaining higher recovery and value uplift potential
Pomona Management	Pomona Capital X (PC X)	Recommended	• International private equity firm with approximately $12.3B in aggregate capital commitments across its sponsored funds and separate accounts • With over 25 years of experience in secondary investing, the Firm is one of the pioneers in the industry and currently manages approximately $7B in capital commitments • Secondaries strategy has combined modest fund sizes to enable investment discipline, with expansive and deep product and geographical critical mass

Manley questioned if the Board should split it between two. Hungerbuhler said that if you like LGT, they could be split with any of the other three. If you don't like them, then he would just pick one. A few said that can't come up with a reason to not use LGT. Hungerbuhler pointed out that they would call capital right away so your money would go to work quickly. He would be surprised if the others called for capital this year. Several liked Pomona to go along with LGT. Hungerbuhler suggested an overall investment of $25-30 million so $12.5 million to $15 million each. Krafve suggested committing $20 million to LGT to make a more meaningful investment and maybe put the second one on the back burner to see how it goes with LGT. Hungerbuhler said that we have time to do that.

Carroll made a motion to invest up to $20 million with LGT private equities; 2nd by Krafve. Vote all: Yes.

10. Adjournment

Carroll made a motion to adjourn the meeting; 2nd by Krafve. Vote all: Yes. The meeting adjourned at 10:50 a.m. on February 11, 2021.

 02/11/2021 Secretary Signature: Nikki White