CITY of SPRINGFIELD

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

Minutes
October 14, 2021

1. Call to Order

Milam called the meeting to order at 8:31 a.m. The meeting was held at the Busch Municipal Building, 840 Boonville Avenue. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Justin Milam	President	X	
Mike Bridges	Citizen	X	
Adam Carter	Fire	X	
Ron Hoffman	Retiree	X	
Nancy Martin-Hinds	Citizen		X
Chad Munsey	Citizen		X
Justin Setser	Citizen	X	
Matt Shackelford	Police		X
Andy Stewart	Citizen	X	
Ed Cantrell (NV)	Retiree		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

Gail Church, Lance Roskins and Chad Davis were also present.

2. Approval Meeting Minutes – September 9, 2021

Bridges made a motion to approve the September 9, 2021 minutes as presented; 2nd by Stewart. Vote all: Yes.

3. Approval of Financial Statement Ending August 31, 2021

- The cash balance at the end of August was 4,818,737.
- Galliard decreased ($11,303). The return was -0.04% compared to the index of -0.16%.

- Income Research decreased ($69,428). The return was -3.59% compared to the index of -3.75%.
- Blackstone had an increase of $123,995. The fund returned 0.51% compared to the index return of 0.55%.
- Brookfield increased $37,947. The return was 0.29% compared to the index return of 1.31%.
- Vanguard had a decrease of ($3,211,705). The return was -0.06% compared to the index of -0.05%. Transferred out $3,196,733 to LGT and Entrust Global Recovery.
- Brandes increased $948,925. The return was 4.67% compared to the index return of 0.55%.
- Entrust Capital had a decrease of ($28,004). The fund returned -0.98% compared to the index of return of 0.55%.
- Entrust Global Recovery had an increase of $2,042,001. The fund returned -0.16% compared to the index of return of -0.19%.
- Blue Ocean had an increase of $108,121. The return was 4.29% compared to the index of -0.19%.
- Invesco increased $267,611. The return was 1.24% compared to the index return of 1.35%.
- Loomis had a decrease of ($828,840). The fund returned -5.26% compared to the index return of -0.19%.
- Meridian had an increase of $292,839. The fund returned 1.93% compared to the index return of 1.82%.
- Pictet increased by $1,777,866. The return was 2.79% compared to the index return of 1.76%.
- Fidelity had an increase of $261,760. The return was 0.97% compared to the index at 0.91%.
- IFM had a decrease of ($32,174). The fund returned -0.18% compared to the index of 2.28%.
- Systematic had an increase of 269,443. The fund returned 1.66% compared to the index return of 2.68%.
- Wells Fargo increased $1,402,378. The return was 2.04% compared to the benchmark of 2.62%.
- LGT increased $780,044. The return was -0.46% compared to the benchmark of 2.85%. Transferred in $822,500. /
- The State Street S&P 500 Flagship NL Fund increased by $3,848,676. The return was even with the index of 3.04%.
- Employee contributions for the month totaled $199,680 and employer contributions totaled $386,994.

- Gain/Loss in market value, including managers' fees was $7,966,871 for the month. Total additions were $8,553,545.

- Benefit payments totaled $2,570,138. Refunds of contributions totaled $141,220. Administrative expenses totaled $23,215. Net increase to the Plan was $5,818,972.

- Total Net Assets at the end of August were $608,240,735.

Carter made a motion to approve the financials ending August 31, 2021; 2nd by Stewart. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Patrick Davis	Age & Service	09/19/2021	10/25/2021	Fire
Marcia Robinson-O'Connor	Age & Service	09/27/2021	01/19/2022	Fire
Kelly Cardin	Age & Service	10/07/2021	12/20/2021	Fire
Flint Roufs	Age & Service	10/03/2021	12/04/2021	Police
Marc Stevens	Age & Service	09/18/2021	10/22/2021	Police
Thomas Spence	Age & Service	10/07/2021	01/01/2022	Police

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Chad McIntyre	Age & Service	25.55	$6,252.03	$5,626.83

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

6. Approval of Return of Contributions

Name	Type	Years of Service	ROC
Chad McIntyre	Age & Service	25.55	$228,996.51

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

7. Administrative Director Report

Manley presented an invoice for the annual death audit services. Bridges made a motion to pay the PBI invoice in the amount of $1,400; 2nd by Setser. Vote all: Yes.

Manley presented an invoice for Manley's public official bond renewal. Bridges made a motion to pay the Nixon & Lindstrom Insurance invoice in the amount of $1,925; 2nd by Setser. Vote all: Yes.

Manley asked Segal about going with one or two of the real estate managers that were presented at last month's meeting. Segal recommended going with one for a total investment of up to $25 million. Bridges made a motion to invest up to $25 million with Prime Storage Fund III; 2nd by Carter. Vote all: Yes.

White discussed the election procedures and the need to update them. Currently, ballot boxes are placed at police headquarters, the south side police station, fire headquarters and station 6. There has been very low participation over the past several years. White discussed options with human resources and they currently use an electronic voting process for LAGERS. They use Microsoft Forms and email the ballots to those who are eligible to vote. It only allows them to vote once and doesn't record how they voted. Stewart made a motion to revise the current ordinance to reflect the electronic voting procedures; 2nd by Bridges. Vote all: Yes. Roskins will draft an ordinance revision to present to Council. He believes it can be finalized prior to the December election.

8. Milliman – Actuarial Valuation as of June 30, 2021

Mike Zwiener, Milliman, presented the 2021 actuarial valuation. Collin Quigley and Mayor McClure were also present.

The Fund experienced a net actuarial gain for the year. The unfunded accrued liability as of June 30, 2020 was $96,569,750. The unfunded accrued liability as of June 30, 2021 was $65,237,910. For the period ending June 30, 2021 the net market rate of return was 24.2%. The net actuarial rate of return for the period was 8.2% versus the assumed rate of 6.5 %. The sales tax revenue was $37,101,894. The funded ratio is 89.5% using actuarial value of assets. The funded ratio in 2020 was 84.0%.

Bridges mentioned that he always keeps in the back of his mind that we will need to become more conservative with investments in the near future. It's not that we are moving the goal posts, it's just the nature of this being a closed plan. Zwiener added that you may still have up and down years. You may not always hit your mark on the rate of return.

Zwiener said that this plan is considered a mature plan due to the number of actives compared to the number of retirees. The investment return becomes even more important for a mature plan. A one percent change on investment returns on a $600 million plan is $6 million. That's very close to what the City and member contributions in total are. His point is that you fix things with benefit changes, higher contributions, etc. Those level levers are not very powerful when your fund gets this big and we don't have any actives.

Zwiener said that if you lower your investment rate, you increase your accrued liability. The general rule of thumb is that a .25% drop in the investment rate will drop funded ratio by 2-2.5%. That's an important statement that he wants to point out. With the expectation that the plan is maturing and more people are moving from active to retired is 6.5% the appropriate rate? He keeps hearing people say the plan needs to become more conservative with its investments over time. Bridges said that when he first came on the Board, he pushed for a full 1% drop. It would have been more in line with how the Plan was performing at the time. He understands that would have been a shock to the public's perception of how well we were doing, but it would have been more in line with how we were actually performing. He's still of that opinion and feels we are past time to drop the rate of return even more.

Zwiener said we've reached a point where it's reasonable to not only look at 20-30 year numbers, but maybe even 15-year numbers. Based on the current investment allocation, his firm comes up with 6.48% for a 20 year 50th percentile. When he looks at 15 years it's 6.21% median. So, if you know you're moving to more conservative investments in the future that needs to be considered. Several agreed that 6% is reasonable based off this analysis and not even becoming more conservative with investments. This will be discussed further at the November meeting.

Zwiener said his firm was asked to look at adding an additional holiday (Juneteenth) to the active members and its impact on the plan. It will add about $1.5 million in additional liability or about $250,000 a year. It doesn't increase the City or member contributions, it only increases the liability for the Plan. If someone were to ask him if it has a material impact on the financial status of the Plan his answer would be no. Quigley said City staff is currently reviewing information and if it goes to Council, it would be before the end of the year.

Milliman was also asked to analyze a proposal to allow any police officer or fire fighter who is an active member to retire after meeting normal retirement eligibility. They would begin receiving pension benefits and the immediately be rehired by the City under the LAGERS plan. The financial impact on the Plan is therefore not deriving from an increase in benefits or similar but instead from the change in the collective retirement patterns of the remaining active members. There's no cost impact if it is limited to members who meet 25 years.

Rerunning the July 1, 2021 actuarial valuation using the 100% at normal retirement assumption, the Plan's actuarial accrued liability increases by $15 million, increasing the $624 million to $639 million. This would lower the funded ratio from 89.5% to 87.4%. The graph Zwiener presented showed the expected funded ratio over time both with and without the proposal. The funded ratio drops 2-4% per year for the next 10 years. This is based off a 6.5% rate of return. If the rate is lowered .25% then you can expect an additional 2% decrease. The divergence is not simply a factor of the increase in actuarial accrued liability. It is also impacted (increasingly so as time goes on) by the lower contribution income. Member contributions are 20%/15.13% of payroll. The City has historically contributed 35% of payroll. Under the proposal, members would collectively retire earlier from this fund, so payroll drops faster and the contribution income decreases along with it.

Stewart made a motion to approve the actuarial valuation as of June 30, 2021 as presented by Milliman; 2nd by Carter. Vote all: Yes.

9. Quarterly Investment Report Approval

Due to their being no quorum at the very end of the September meeting, the approval of the quarterly investment report was delayed. Stewart made a motion to accept the quarterly investment report as of June 30, 2021 as presented in September; 2nd by Carter. Vote all: Yes.

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

Carter made a motion to move to closed session at 10:30 a.m. pursuant to Section 610.021(1, 3, 12, 13) RSMo.; 2nd by Bridges. Vote Yes: Bridges, Carter, Hoffman, Milam, Setser and Stewart. Vote no: none. Open session resumed at 10:35 a.m.

11. Adjournment

Bridges made a motion to adjourn the meeting; 2nd by Carter. Vote all: Yes. The meeting adjourned at 10:35 a.m. on October 14, 2021.

 10/14/2021 Secretary Signature: Nikki White