



POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

840 Boonville
 Springfield, Missouri 65801
 Voice Mail (417) 831-8901
 Box Number 44140

**Minutes
 December 16, 2010**

1. Call to Order

Homan called the meeting to order at 8:30 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Ken Homan	President	X	
John Bishop	Citizen	X	
David Carter	Fire	X	
Charlie Cowherd	Citizen	X	
Jim Edwards	Police	X	
James Gillette	Citizen	X	
Josh Hartman	Citizen	X	
Marilyn Hill	Citizen	X	
Ron Hoffman	Retiree	X	
Brady Stark (NV)	Police		X
Chris Thompson (NV)	Fire	X	
James Dancy (NV)	Retiree		X
Mary Mannix-Decker (NV)	Finance	X	
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law		X
Nikki White (NV)	Secretary	X	

NV = Non-voting

2. Pension Board Election – Fire Representative

The election for the voting Fire Representative was held December 6-10th. Voting boxes were placed at Fire Headquarters and Station 6. The ballot boxes remained locked until the meeting was called to order. Brenda Cirtin, City Clerk, was present to tabulate the ballots for the Fire Representative position. Chris Thompson was the only candidate on the ballot. However, there was a place for write-in votes. Thompson received 24 of the 27 votes. David Carter received two write-in votes and one ballot was not marked. Homan stated that as he understands it, David Carter would become the alternate fire representative. Thompson noted that he felt the low voting turnout can be attributed to only have one name on the ballot.

Homan made a motion to accept Chris Thompson as the voting Fire Representative on the Pension Board and David Carter as the alternate; 2nd by Hartman. Vote all: Yes.

Nikki White

3. Approval Meeting Minutes – November 18, 2010 (open session)

Cowherd made a motion to approve the November 18, 2010 open session minutes as presented; 2nd by Carter. Vote all: Yes

Rushefsky entered the meeting at 8:45 a.m.

4. Approval of Financial Statement Ending October 31, 2010

Mannix-Decker reported on the following items of interest:

- The cash balance is back up to \$1.8 million as a result of the sales tax revenue coming in.
- Brandywine increased \$118,863. The return was 0.70% compared to the index return of 1.99%
- Gilliard increased \$196,277 for the month. The return was 0.52% compared to the index return of 0.36%.
- Pictet increased \$1,317,647. The return was 4.63% compared to the index return of 3.61%.
- SSGA Russell 2000 increased \$776,024. The return was 4.10% compared to the index return of 4.09%.
- SSGA S&P 500 Flagship increased \$1,641,077. The return was even with the index at 3.80%.
- Total current assets for the month were \$160,074,922. The net increase in plan net assets for the month was \$5,845,240, which is an increase of 3.8%.
- The sales tax contribution was \$2,299,180. Total contributions including the sales tax and employer/employee contributions were \$3,099,811.
- Other revenue was \$15,263, interest on the cash held at the City was \$2,582 and market gain totaled \$4,157,591.
- Benefit payments, return of contributions and administrative expenses totaled \$1,409,380.
- Homan pointed out Galliard's performance on municipal issues which had a difficult month. He said he intends to contact Galliard and possibly have them attend the January meeting. He would also like Pictet to present to the board in January if possible.
- Hartman stated that next year might not be the most favorable environment for fixed income or bonds. Homan said he shares that concern and that's why he wants to speak with Galliard.

Homan made a motion to approve the financials ending October 31, 2010; 2nd by Hartman. Vote all: Yes.

Hill entered the meeting at 8:50 a.m.

5. Review of Applications

White informed the board that Kirt Bliss submitted a revised retirement form. His early retirement application was approved in November, but he's now applying for a 20 years and age 50 Age and Service Retirement. He will be buying one year, 3 months and 16 days of service from Joplin.

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Kirt Bliss	Age & Service	12/07/2010	01/06/2011	Fire
Jonathan White	Age & Service	12/09/2010	03/24/2011	Fire

Carter made a motion to approve the revised application for Kirt Bliss and the application for Jonathan White; 2nd by Bishop. Vote all: Yes.

6. Old Business

a. Disability Re-examinations

Debbie Elliot with HSI reported that she has reviewed all of the files of those remaining on the disability re-examination list. She said she sent a list of recommended doctors to Hill for review. Elliot questioned whether the doctors should be looking at the person as a whole or their specific injury that they went out on. Homan said that the conclusion that the board reached last month, with Wichmer's advice, is that the board should be looking at the person as a whole.

Elliot said that of those remaining on the list there are some that she feels need to be re-examined, but there are some that it is very obvious that they will not ever be able to return to work. Several questioned whether it was a wise use of funds to send them for a re-examination. Others expressed concern that the board be consistent regardless of cost. Homan reminded the board that this was discussed at the November meeting and everyone agreed, including Wichmer, that the board needs to send everyone on the list that is under the age of 50 no matter what they went out on.

Elliot presented the idea of doing a chart review versus a full re-examination. Homan said that this idea had been previously discussed. Elliot said that there are a couple that she feels need to be scheduled for an appointment, but on some she could request a chart review. The reviewing doctor can then determine if he/she should do a full examination. Homan said he knows this has been previously discussed and the board concluded that a chart review was sufficient in some cases. Everyone agreed that a chart review would be sufficient and for Elliot to use her discretion as to which ones were approached in this manner.

Elliot and White questioned those that turned 50 during the process, and before they were able to be scheduled for an appointment. Most agreed that they should be excluded from being sent since they aren't eligible to come back anyway. Gillette said he would feel more comfortable running this by Human Resources. Homan said there's no problem running it by the City's Human Resource Department. He asked if anyone opposed. No comments noted. White will contact Sheila Maerz for an opinion.

b. Investment Consultant Update

Homan reported that the board had agreed to hire Hammond Associates, but the contract had not been completed. The board knew that the company was for sale during the interview process. However, given their size the board didn't anticipate many changes in service should they be acquired. Since the November meeting, an announcement was made that Mercer acquired Hammond. Mercer wanted the endowment and foundation business that Hammond had. Mercer announced a month or two prior that they had exited the public pension business so Hammond cannot take this fund as a client.

Homan said that the board has several options to consider. Hammond did say that they would be willing to serve as the consultant for some transition period if the board thought appropriate and necessary. Segal has also said that they are willing to extend their contract for some transition period as well. Another option is to continue to operate without an investment consultant and manage our existing managers more closely. The final option is to begin the RFP process again. This can be handled through the City again or it can be the board's hire and possibly done without going through the RFP process. This would mean searching out companies that may be interested

and interview them independently through the board. Bishop expressed concerned over it being more broadly published than previously.

Cowherd expressed concern over not currently having a consultant. He's fine with going back through the process, but at a minimum the board should consider extending the Segal contract. Cowherd made a motion to extend the Segal contract for six months and to begin the RFP process; 2nd by Carter. Discussion: Homan said he failed to mention that another option was to go back to the #2 and #3 finalists from the last RFP. Several stated that they would like to see what other options are out there. If the search can be broadened, there might be others that are interested. Mannix-Decker said that she doesn't know how many more responses the board will get. She did get some calls from seeing it in P&I. She just doesn't see getting a whole new slate of RFPs that haven't already come in. Homan said that Summit Strategies out of St. Louis didn't reply last time because this plan is too small for them. They also said they are at capacity and are particular about any business they are adding on at this point. Their average client is \$1.5 billion. They do have a product called Summit Solutions. Jefferson City Police & Fire utilizes this. It is a discretionary product where they make the manager decisions and it is a mutual fund platform. The average cost is about 88 basis points with 30 basis points to Summit Strategies. Homan said that 30 basis points on \$160 million is way in excess of any other bids received. The gentleman he talked to said he would go to his partners and see if there are other options since this is a Missouri plan.

Homan reminded the board that Cowherd's motion was still on the floor. Hartman said he was surprised at the low response on the last RFP. He's not sure if there are better sources to get the word out. Thompson questioned if the size of the fund was turning companies off. Bishop said it could be that or the political unrest. He added that now that the new board is in place and things have settled down it may attract more people. Mannix-Decker said to let her know if anyone has a list of companies the RFP should be sent to. That was done last time too. They targeted specific firms and individuals and they would be glad to do that again this time.

Homan said that what the board is trying to accomplish with all of this is to go into alternative investments and ultimately taking some of the volatility out of the equation. He said right now we are in a real upswing in the market. Looking forward the next 12 months, with the economist's projections there is going to be a lot to be had out of the equity market so it's not too bad of an idea to continue with the type of platform that is in place now. Bishop agreed that the Segal contract should be extended simply for the protection of the board. Mannix-Decker reminded the board that monthly investment decisions have to be made with the sales tax monies coming in. She said that since Segal's contract is expired, the new contract would start in January. She asked the board when they would want the new one to expire. Some noted that the end of June would work out well considering that is year end. Homan said that six months may be too long. Cowherd suggested 90 days with the option to renew on a month-to-month basis. Mannix-Decker said the RFP would be distributed the second week in January. There is usually a 4-week response time. The committee review, board review and contract negotiation would follow so that would put the process ending in late March.

Hoffman asked who seconded Cowherd's motion. White responded that Carter did. Hoffman said he's not a voting member. Several agreed that his term isn't up until December 31st. Hoffman said that it was voted on at the beginning of the meeting that Thompson is now the voting member. Carter retracted his motion. Cowherd amended his motion enter contract with Segal beginning January 1, 2011 for a period of 90 days with the option to renew on a month-to-month basis, and to begin the RFP process for hiring an investment consultant; 2nd by Hill. Vote all: Yes.

There was a brief discussion regarding Carter's position and whether it expired December 31st or at the beginning of the meeting when the election results were approved. White said that Carter had made motions earlier in the meeting that would have to be amended if he is no longer a voting member. Clarification is needed from Wichmer, but several felt that Thompson's position didn't take effect until January 1.

c. Administrative Director – Selection Committee Update

Homan reported that the local recruiter has sent a few resumes on to the committee, but the candidates lack experience. The committee met a few days ago with Pension Consultants, Inc., which is in Springfield. Homan said they submitted an intriguing proposal, but they do have some draw backs and the committee isn't ready to make a recommendation at this time. The problem is that there isn't one point person. There won't be face for the system which is a drawback and a very important part of this position. Homan was hoping their bid would be less than what they came in with. They would also be able to perform some of the functions the Finance Department is currently doing which would be difficult to find in an individual. They don't currently have any public business.

Homan asked Gene Price, the recruiter, to draft an advertisement and review the rates for Pension and Investments magazine. He has some copy that has been approved by the magazine and the one-time cost in the hard copy paper and digitally is \$3,700. Homan said he thinks it is necessary and recommends that board proceed with placing the ad. He said the magazine goes out to all the people in this business. The responses would go to Price and he would sort through them and of course be paid if a person were to be hired. Thompson questioned paying that much for an ad and including the salary range. He's afraid there might not be much response. Homan said this would have to be a unique individual that has something to do with the rest of their time. The board certainly doesn't want someone who may be retired and thinking they might only do this for a couple of years. Longevity is important in this role. That's why he feels the board needs to cast a pretty broad net. Bishop said it is a unique position, but it might be a good fit for someone who has owned their own financial business. The position has a lot of positives in that it is part-time and you can pretty much set your own schedule. It may cost the board some upfront money to find the caliber of person it is looking for. Rushefsky questioned running a \$3,700 ad that is duplicating what the recruiter is supposed to be doing. Homan said the board could recommend that the recruiter bear the cost. He added that this is somewhat of an unfamiliar area of recruiting for Price. The committee chose not to utilize the pension recruiter because of the cost and no guarantee of placement. Homan said the cheaper way into the industry without hiring an experienced pension recruiter is to place an advertisement in a professional publication that practically everyone in the industry subscribes to.

Gillette asked if Price is only paid if someone is hired. Homan said yes. Gillette questioned if it would be possible to negotiate that the \$3,700 fee be paid by Price if someone is hired, but the board would pay it if it decided to part ways with Price. Homan said he would have no problem proposing that to him. Thompson asked where the salary range came from. Homan said it was reached by considering the type of position and that it is part-time. Carter said that the committee also reviewed salary ranges from other plans. Homan said this is the first round and if there are no results the committee/board will have to reconsider. Rushefsky asked if the salary range had to be listed. Homan said the problem with not having it in there is that there will be a lot more response from people who wouldn't be interested after learning the salary range. Hill suggested taking the

salary out and leaving the 20-30 hours which suggests that it is not a full-time salary. Part-time would restrict the number of responses. Homan agreed that this is a good idea.

Gillette made a motion to authorize the Selection Committee to spend up to \$3,700 on an advertisement in Pension & Investments, but to negotiate a better cost position with the recruiter at the Selection Committee's discretion; 2nd by Hill. Vote all: Yes.

7. New Business

a. Quarterly Investment Report as of September 30, 2010

White distributed the Analysis of Investment Performance supplied by Segal Advisors (on file). Homan directed the board to page 11 which outlines the asset allocation. All Cap Equity is 40%, International Equity is 20%, Fixed Income Intermediate is 21.75%, Fixed Income International is 10.75% and Real Estate is 7.5%.

The beginning market value was \$132,774,713. The net contributions were \$8,160,821 and the income was \$385,697. There was \$17,292 in fees and expenses. The gain for the quarter was \$12,904,859 for an ending market value of \$154,208,799. The policy index is the index plus three percent. Homan said that's a fairly aggressive benchmark. Although the quarter doesn't look so great compared to the policy index, when compared to the peer groups the results have been very good. The composite was up 9.95 for the quarter. The equity segment was up 11.60. The international equity was up 17.94 which beat their very aggressive benchmark. The bond segment (Galliard) was up 3.02 which beat the benchmark. International fixed income (Brandywine) was up 11.24 which is in line with the benchmark. Real estate was up 3.11, but fell below the benchmark of 5.58.

Homan pointed out the peer group rankings on page 19 which consists of public plans below \$250 million and 40-70% equity. This plan was in the top quartile over the past quarter and right on the line between the first and second quartile for year-to-date. This is something the board has challenged Reina on. The five-year number is not great and the main driver the board went out for a search for a new investment consultant. The equity portion in our peer group was good. The international portion was right on the line between first and second quartile peer group performance for the quarter and in the top half year-to-date. The bond segment for the first quarter was on the line between the first and second quartile and year-to-date has done very well compared to the peer group. The international fixed income has consistently been in the top half for all periods.

Pictet began the quarter at \$23,118,011 and ended at \$28,992,241. This is the manager that has a very aggressive benchmark of EAFE +3% and charges 95 basis points for their service. Homan thinks the board needs to pay particular attention to them. Page 42 shows graphically how Pictet stacks up versus the peer group and benchmark. He said he would not put the benchmark +3% on any manager. The only way they are going to hit it is to take a lot more risk. Risk in international gets a little scary. However, it has been a good value lately. He would like to get Pictet to come to a meeting so the board is more comfortable with where they are going. He would also like to have Galliard come in and will be talking to Reina about this.

Homan made a motion to approve the Quarterly Investment Report as of September 30, 2010 as presented; 2nd by Bishop. Vote all: Yes.

b. Board Member Nominations

Homan reminded the board that the two retiree board appointments were delayed a month due to the nomination form not being included with their October checks. The forms were sent in November and two nominations were received. White reported that Ron Hoffman and David Inmon were nominated. The ballots will be mailed with their December checks.

Cowherd made a motion to accept Ron Hoffman and David Inmon as the nominees for the two retiree positions; 2nd by Edwards. Vote all: Yes.

c. Fiduciary Insurance

Bishop reported that the Insurance Subcommittee will be meeting next Tuesday. Bishop and Gillette have been doing research on what's required to apply for the insurance. Bishop said there are limited companies that will provide coverage to public entities. He said this board is an even more unique situation because of the way the City code's written as far as being an extension. Gillette worked with Sheila Maerz to indentify carriers who might be interested in providing coverage for the board. Bishop said the board will be rated independently even if it works with the City. He's finding that there are companies that this is a business they want to be in so they will have a very favorable rate. There are then companies that say they will do it, but they aren't really interested and the rate will be twice as much. The City's RFP process will not be used for obtaining the insurance. It will be up to the board to handle. The subcommittee will meet next week and report back at the January meeting.

8. Other Business

Board Meetings

Homan stated that he would like to condense the length of the meetings starting in January. This may mean requiring additional committee meetings where the committees iron things out and report back to the full board. There is no question that the administrative director position will help shorten the meetings and take a lot of responsibilities off of the board. He said an attempt will be made to shorten the meetings prior to hiring the director, but it may be that we have to wait until that person is in place. Rushefsky said that the board needs to be careful to not shorten them too much and depend on the committees a great deal until the director is hired. The voting members will be held legally responsible for the consequences of their vote so they need to be making an informed vote. The board needs to be confident that someone is in place to make the appropriate screenings decisions before it comes to the full board. She thinks shortening the meetings needs to be dependent on the presence of a director that the board has confidence in. Homan said he always tries to wrap things up no later than 11:30 a.m., but sometimes he feels like he's pushing things through too quickly. He can definitely see the benefit of making them shorter, but he has an idea of what it is going to take to get there and that may not be so palatable to some.

9. Legal Matters – Closed Session, pursuant to Section 610.021(1), RSMo.

Cowherd made a motion to move to closed session at 10:35 a.m. pursuant to Section 610.021(1), RSMo.; 2nd by Bishop. Vote all: Yes.

Resumed open session at 11:30 a.m.

10. Adjournment

Homan made a motion to adjourn the meeting; 2nd by: Cowherd. Vote all: Yes. The meeting was adjourned at 11:30 a.m. on December 16, 2010.

11. Meeting Reconvened

The meeting was reconvened by Homan at 11:40 a.m. and moved to closed session, pursuant to Section 610.021(1), RSMo.

Resumed open session at 11:50 a.m.

12. Adjournment

Homan made a motion to adjourn the meeting; 2nd by: Gillette. Vote all: Yes. The meeting was adjourned at 11:50 a.m. on December 16, 2010.