



POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

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

**Minutes
 November 10, 2016**

1. Call to Order

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

Attendance

Members	Representation	Present	Absent
Charlie Cowherd	President	X	
Paul Carroll	Citizen	X	
Adam Carter	Fire	X	
Derek Fraley	Citizen		X
Ron Hoffman	Retiree	X	
Gus Krafve	Citizen	X	
Chris McPhail	Police	X	
Nancy Martin-Hinds	Citizen	X	
Justin Milam	Citizen	X	
Ed Cantrell (NV)	Retiree	X	
James Frieze (NV)	Fire		X
Chris Welsh (NV)	Police	X	
David Holtmann (NV)	Finance	X	
Ken McClure (NV)	City Council Liaison	X	
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

Rhonda Lewsader was also present.

2. Approval Meeting Minutes – October 13, 2016 (open session)

Hoffman made a motion to approve the October 13, 2016 minutes as presented; 2nd by Carter. Vote all: Yes.

3. Approval of Financial Statement Ending September 30, 2016

- The cash balance at the end of September was \$8,326,007.
- The State Street S&P 500 Flagship NL Fund increased by \$10,240. The return was even with the index at 0.02%

Nikki White

- The State Street Russell 2000 NL Fund increased by \$220,930. The return was 1.15% compared to the index return of 1.11%.
- Pictet increased by \$669,311. The return was 1.42% compared to the index return of 2.02%.
- Wells Fargo had an increase of \$552,129. The return was 2.04% compared to the benchmark of 1.29%.
- Galliard increased \$59,009. The return was 0.16% compared to the index return of 0.17%.
- Income Research decreased (\$459,425). The return was -1.30% compared to the index return of -1.26%.
- Brandes increased \$84,775. The return was 0.95% compared to the index return of 2.97%.
- Brookfield decreased (\$153,834). The return was -1.45% compared to the index return of -1.00%.
- The US Tips NL Fund increased by \$90,885. The return was 0.56% compared to the index return of 0.55%.
- Brandywine had an increase of \$172,028. The fund returned 0.59% compared to the index return of 1.04%.
- Pyramis had an increase of \$191,808. The return was 1.10% compared to the index at 0.34%.
- Prudential had a decrease of (\$13,365). \$198,000 was converted to cash so there was positive growth. The return was 1.95% compared to the index return of 1.83%.
- The State Street Commodities NL Fund increased by \$359,957. The return was 3.14% compared to the index at 3.13%.
- Blackstone had an increase of \$85,131. The fund returned 0.56% compared to the index return of 0.52%.
- Entrust had a decrease of (\$68,308). The return was -0.50% compared to the index return of 0.52%.
- Employee contributions for the month totaled \$268,778 and employer contributions totaled \$564,954. Sales tax contributions for the month totaled \$3,453,555.
- Gain/Loss in market value, including managers' fees was \$2,015,886 for the month. Total additions were \$6,303,173.
- Benefit payments totaled \$1,944,169. Return of contributions totaled \$68,020. Administrative expenses totaled \$33,143. Net increase to the Plan was \$4,257,840.
- Total Net Assets at the end of September were \$355,242,700.

Nikki White

Krafve made a motion to approve the financial statement ending September 30, 2016; 2nd by Hoffman. Vote all: Yes.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Jefferey Ferneau	Age & Service	10/13/2016	11/12/2016	Police
John Smith	Age & Service	11/01/2016	01/06/2016	Police

McPhail made a motion to accept the application as presented above; 2nd by Krafve. Vote all: Yes.

Carroll entered the meeting at 8:42 a.m.

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Danny Royster	Final Check	16.47	\$3,419.42	\$3,309.12

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

6. Administrative Director's Report

Manley reported that the proper deductions were not made from David Hall's payroll checks the past two months. Hall would like to correct this as soon as possible and Manley made the suggestion of giving him two months to repay the amount due back to the Fund. The total amount is around \$1,200. Carter made a motion to allow David Hall two months to repay the amount due back to the Fund; 2nd by Krafve. Vote all: Yes.

Manley announced the candidates for the voting police member and the retiree members. Chris McPhail is the only candidate for the voting police member. Ed Cantrell, Ron Hoffman and Chris Thompson are the candidates for the voting and non-voting retiree members. Carroll moved to accept the nominations as presented; 2nd by McPhail. Vote all: Yes. The election will be held December 5-9, 2016.

Manley reported that the SPOA lawsuit was dismissed by the SPOA on Monday. She doesn't have any more details at this time.

The agent of record letter for the fiduciary insurance has been sent to Chubb. They have 10 days to reply and then the contract will go to David Endacott of Nixon & Lindstrom.

Bill payment – An invoice for the disability examination process for Dennis Williams conducted by Encore Unlimited was presented. Carroll made a motion to pay the invoice in the amount of \$423.00; 2nd by Martin-Hinds. Vote all: Yes.

7. Legal Matters – Closed Session, pursuant to Section 610.021, RSMo.

Carroll made a motion to move to closed session at 8:51 a.m. pursuant to Section 610.021(3, 17) RSMo.; 2nd by McPhail. Vote Yes: Cowherd, Carroll, Carter, Hoffman, Krafve, McPhail, Martin-Hinds, and Milam. Vote no: none. Open session resumed at 8:59 a.m.

8. Legal Matters – Closed Session, pursuant to Section 610.021, RSMo.

Carroll made a motion to move to closed session pertaining to the lawsuit at 8:59 a.m. pursuant to Section 610.021(1) RSMo.; 2nd by Carter. Vote Yes: Cowherd, Carroll, Carter, Hoffman, Krafve, Martin-Hinds, and Milam. McPhail abstained. Open session resumed at 9:05 a.m.

9. Secretary Contract

Manley reported that the Board voted in closed session to renew White's contract for 2017 with a \$100 per month increase.

10. Audit report as of June 30, 2016

Kristen Hughes, RSM, presented the report. Hughes said that there were no audit adjustments made to the original trial balance presented to them to begin their audit. Hughes stated that the audit report shows a clean, unmodified opinion which is the highest opinion that they can give.

A comparative report was provided which shows a side-by-side comparison of 2015 versus 2016. The Plan's net position at the end of June was \$343,288,000 compared to June 2015 balance of \$322,533,580. The net investment income was \$3,663,000 compared to (\$4,345,000) in 2015. The benefit payments were pretty consistent with the prior year.

The fiduciary net position as of % of total pension liability is 67.91% Hughes stated that this is a calculation based on accounting standards. She understands that the Board recently reviewed the actuary report which stated that this percentage was in the low 70's. The actuary's number is based on actuarial standards and calculations whereas the 67.91% in the audit report is based on accounting standards and calculations. Sheppard mentioned that he was surprised the percentage went from 71.24% in 2015 to 67.91% in 2016. Hughes said that the total pension liability increased by over \$50,000,000. There were a couple of assumption changes that contributed to this. Part of it was that the discount rate did decrease this year. Carroll said that he wanted it to be clear that when she's talking about the decrease in the discount rate, it is not when the Board decreased it from 7.5% to 7.0%. Manley said that is correct.

Carroll made a motion to approve the audit report as of June 30, 2016 as presented; 2nd by Hoffman. Vote all: Yes.

11. Quarterly Investment Report – Third Quarter 2016

Katarski reported that the beginning market value was \$333,355,000. The return on the investment was \$12,109,000 for an ending market value of \$346,355,000. The fiscal year-to-date investment performance is 3.9%.

The S&P 500 returned 3.87% compared to the index of 3.85%. The Russell 2000 Index Fund returned 9.09% compared to the index of 9.05%. Pictet's return was 9.14% and the index was 6.43%. Brandes was

up 6.87% to the index return of 8.64%. Wells Capital was up 9.68% compared to the index return of 9.03%. Galliard had a positive return of 0.74% compared to the index of 0.31%. IR&M's returned 1.26% compared to the index of 1.24%. TIPS had a positive return of 0.97% compared to the index of 0.96%. Brandywine increased 1.10% compared to the index return of 0.60%. Pyramis' return was 4.78% and the benchmark was 4.04%. Prudential was up 1.95% compared to the index of 2.18%. Brookfield returned 3.41% compared to the index of 1.25%. The SSgA Bloomberg Fund declined -3.89% compared to the benchmark of -3.86%. EnTrust was up 1.87% compared to the benchmark of 1.91%. Blackstone was up 2.41% compared to the index of 1.91%.

12. Asset Allocation Study – Segal Rogerscasey

John Ross of SRC presented the asset allocation study. The purpose of the study is to help determine an appropriate strategic asset allocation for the Plan. The study evaluates the impact of shifts in the current target asset allocation, including the slate of asset classes and adjusting the Plan's positioning along the risk spectrum, on specific liability objectives and metrics. The analysis was performed using SRC's forward looking passive capital market assumptions (expected return, standard deviation and correlations). New asset classes under consideration in the study include high yield fixed income, private equity and multi-asset class solutions (MACS). High yield is a return enhancer, attractive relative to core fixed on a risk adjusted basis. Private equity and MACS are both return enhancers and risk reducers to different degrees. Adding asset classes with attractive risk adjusted returns, and/or adding incremental risk to the Plan, can reduce the funding deficit in 2026 under median market outcomes, albeit at the expense of slightly higher deficits under very poor market outcomes. Current liquidity and net cash flow of the Plan is more than sufficient to support consideration for less liquid asset classes, namely private equity.

SRC modeled a single scenario otherwise known as a deterministic model and a multiple scenario known as a stochastic model. Four sample allocations were modeled. All alternative allocations move some money out of developed markets fixed income given difficult current yield environment. All allocations introduce a modest allocation to MACS strategic asset class as well as high yield. The first portfolio is an incremental improvement that does not fully disinvest from ILBs, developed markets fixed income and commodities. The second portfolio achieves a long-term compound return of 7.0%. The third portfolio introduces a modest allocation to private equity. The fourth portfolio is one that offers the same annual volatility as the current allocation but with a higher expected return. All of the alternative portfolios improve the results at the median and sacrifice little, if any, downside. Some alternatives provide significantly better upside results. The fourth "same risk" portfolio improves both the expected deficit by \$30 million and the CVaR by \$4 million. Portfolio three provides the best expected deficit (improvement of \$63 million) and sacrifices the most downside (CVaR is worse by \$15 million). All candidate portfolios exhibit improved risk adjusted returns relative to the current target. All portfolios model MACS and high yield at either 5% or 10% allocations. If a change in the current allocation is desired, the resulting portfolio could be a variation of any of the candidates, allowing for specific risk tolerances or asset class preferences.

Manley said that the investment committee will meet to review the supplemental information SRC will be providing along with the different asset allocation options presented and will bring their recommendations back to the full board.

13. December Meeting

The meeting will be held on December 12th at 8:30 a.m. The change is due to the election which is required to be the first full week in December per the ordinance.

14. Quarterly Investment Report Approval

Carroll made a motion to approve the quarterly investment report as presented by SRC; 2nd by Carter. Vote all: Yes.

15. SPOA Lawsuit

Sheppard announced that the lawsuit has been dismissed. The hearing was set for Tuesday of this week, but the plaintiff sent a note to the clerk saying that they were dismissing the case on Monday afternoon. He said it is without prejudice which means they can re-file at anytime, but right now it is dismissed.

16. Adjournment

Carter made a motion to adjourn the meeting; 2nd by Carroll. Vote all: Yes. The meeting adjourned at 11:40 a.m. on November 10, 2016.