



POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

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 Springfield, Missouri 65801
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 Box Number 44140

**Minutes
 February 11, 2016**

1. Call to Order

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

Attendance

Members	Representation	Present	Absent
Josh Hartman	President	X	
Paul Carroll	Citizen	X	
Adam Carter	Fire	X	
Charlie Cowherd	Citizen		X
Marilyn Hill	Citizen	X	
Ron Hoffman	Retiree	X	
Gus Krafve	Citizen		X
Chris McPhail	Police	X	
Justin Milam	Citizen	X	
Ed Cantrell (NV)	Retiree	X	
James Frieze (Nv)	Fire	X	
Chris Welsh (NV)	Police	X	
Mary Mannix-Decker (NV)	Finance		X
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law	X	
Rhonda Lewsader (NV)	Law		X
Janell Manley (NV)	Administrative Director	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

2. Approval Meeting Minutes – January 14, 2016 (open session)

Carter made a motion to approve the January 14, 2016 minutes as presented; 2nd by Hoffman. Vote all: Yes.

3. Administrative Director’s Report

Manley reported that Sheppard will be giving the annual fiduciary presentation in April. The RFP for the financial consultant has been distributed and the replies are due in March. Ken McClure has been approved as the new Council representative to fill Rushefsky’s position. Manley also reminded the Board that the election for the president of the Board will be in April.

The income verification process is complete. Manley informed the Board that the letter that is sent out scares a few of the older retirees. They have a fear that their pension will be taken away which is not the case at all. Manley asked the Board for input as to whether there should be an age at which this process is no longer required. She checked with Wichmer and this is something that is possible. Maybe we no longer require income verification after age 75-80? Hartman said that there is sometimes a level of confusion when dealing with adults in their 80's. Even though they have received this letter before, it can still be a shock to them and this is something worth discussing. Carter said he thinks it's a great idea. Manley said there are about five that she deals with every year. They get very upset and she has to explain to their families what is going on because they forget that they have to do this every year. She said that all of these individuals live on their pension alone. They have not had any extra income since 2011. Several ideas were mentioned as far as an age cap or if there hasn't been any extra income for a certain number of years.

Carter said that many other plans convert disability retirees over to an age and service retirement once they reach the age at which they would have retired on an age and service retirement. Cantrell said that the reason is to make sure you don't have someone going up on a pension and going back into business. However, if you take someone like himself who put in 22 years of service and he's being punished for going out on disability. He could see keeping people on it for 5-10 years, but he has to do something else just because his insurance is so high. People are being docked for getting hurt. He could see if you left and went right into something else.

Rushefsky said that she thinks we are talking more about verifying for older adults who haven't had any other income for a certain period of time. Carter said he thinks the income verification is a "may" rather than a "shall". Manley said 125 letters were sent. Carter said only five were reduced out of those 125. Rushefsky said she thinks we have an obligation to do it because of previous court cases, but we can be reasonable about it. There's no sense in terrifying our membership. Tony Kelley said there are also people who may not meet that age threshold, but obviously can't function to work to any degree. So there may be other cases that need to be considered. McPhail said that whatever the Board decides there will need to be a written policy. Some people will try to take advantage of the system. Hoffman said that whatever the Board does, it will have to be prepared to answer for it and be careful not to work ourselves into a box.

Wichmer asked why the Board would care once they reach their retirement age. The question would be could they come back and work. Carter said that there have only been three fire employees to come back in the history of the Plan. Carter asked Wichmer if the income verification process is a "may" or a "shall". Wichmer said it is not in the charter. It is a code and you can ask Council to revisit the code whenever. What you can't do is reduce benefits. He said he knows there are some obvious disabilities and we know they can't come back and fulfill the duties so why are we going to constantly revisit that? McPhail said that compassionately we all want to go on a case by case basis, but in his opinion you will be hard pressed to stay out of any legal problems by doing that. We all know people who will try to take manipulate the system so we have to be very precise on how this moves forward. Carter said that he has a hard time believing that a disability retiree would argue against ceasing income verification at a certain age. Hoffman said we need to be careful about opening any doors. Wichmer said to keep in mind that it is a closed plan so the pool is shrinking and ageing. He would agree with Hoffman if it was still an open plan. You may be spending money to verify things that we already know. Do we want to constantly revisit something that we know the answers to? Manley reminded everyone that they have to be 100% to return and that's pretty strict. Wichmer said that we know that they aren't coming back here.

Manley asked Wichmer if he was saying that there's no requirement to do income verification. Wichmer said that there is an ordinance, but an ordinance is unlike the charter that would require popular vote.

Ordinances can be amended by Council if recommended by the Board. He said he could sit down with Manley to come up with some language if the Board would like. Everyone agreed that Manley and Wichmer can discuss the options and report back at a later date.

Additional Funding Contribution - Milliman's January 29, 2016 memo breaking down the AFC by police and fire employees was distributed. Carter made a motion to accept the data as presented; 2nd by Carroll. Vote all: Yes.

Recovery of Overpayments Policy – the final draft was presented. Carroll made a motion to approve the policy as presented and include it in the Board Governance Policy; 2nd by Carter. Vote all: Yes.

Fiduciary Insurance – the renewal was presented in the amount of \$46,585. Carroll made a motion to accept; 2nd by Carter. Vote all: Yes.

Mike Evans reported that the SPOA has retained an attorney because they dispute the way the AFC liabilities are being calculated. Part of what is being researched by their legal team is the \$4.75 million settlement. When they talked to Milliman, there was no actual actuary study done to see the cost of the damages of closing the AFC benefit to the Plan. What they looked at was the difference in the AFC contribution increase because of an open plan or a closed plan. That was just a three-year window. He encouraged the Board to research and look at this independently because this will probably come to some form of litigation rather quickly. Evans said the Board may not also be aware that there are no more communications between the unions and the City in regards to the AFC. We are now in a legal deadlock. The SPOA has been told that since it has retained an attorney, the City will no longer talk to the SPOA about coming to a resolution on this issue. Evans clarified that this is only the SPOA. He has no information regarding the fire union.

Wichmer added that this has been sent to the City's labor attorney, Andy Martone. It looks like this is a part of the collective bargaining process and it should come up there. It's not that the City doesn't want to talk to the unions, it's that the unions said they want to have meet and confer and that time has ended and the contracts are in place. Evans said that the City Code says there shall be a meet and confer regarding this issue before July 1, 2016. The SPOA was told that because of their contract that the City is not obligated and will not enter into any further negotiations on collective bargaining because of the valid contract.

Manley said the Board has tabled this issue until April. Kelley said that the fire union hasn't presented anything to the City yet. They are putting together their proposals. He hasn't been told that it wouldn't be feasible. The last indication that he got was that they would be able to go to the table and negotiate it out. Again, the fire union has not formally asked so we may get the same response as the SPOA.

Wichmer exited the meeting at 9:15 a.m. and did not return.

Several agreed that the Board would need to take the wait and see approach at this point in time. Evans said that the ordinance says that when the organizations come up with options that any studies that need to be done regarding the AFC would be paid for by the Pension. The SPOA did make a formal request for an actuary study to be done as to what liabilities were created by closing the Plan. He thinks that should be relayed because the request was made about a week and a half ago. He said it should have come from Martone's office so we need to see about bridging that gap in communication. He said the current information is only for three years and it goes beyond three years. That is what the SPOA is requesting. Carter asked if we can move forward with asking for this from Milliman. Manley said she needs to check

the files and see if she has something on this from Milliman. Carter expressed concern over waiting until next month. Milam said that we need to be sure what question they are asking because we don't want to ask Milliman the wrong question. He knows it is seems very obvious, but if we ask them the wrong question we will just be wasting money. Milliman is going to answer the exact question that we ask. That's what we pay them to do. So if we don't ask them the correct question then we will end up with more issues. We may already have the information on file so Manley needs to do some research first. She will send an email update as soon as possible.

4. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Robert Reeves	Age & Service	01/19/2016	02/18/2016	Police

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

5. Review of Calculations

Name	Type	Years of Service	Monthly Pension Amount	Partial Pension Amount
Robert Monier	Age & Service	24.38	\$3,657.85	\$943.96
Pepper Jackson	Age & Service	20.62	\$3,134.26	\$2,325.42

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

6. Approval of Return of Contributions

Name	Dept.	Type	Years of Service	ROC
Pepper Jackson	Police	Age & Service	20.63	\$117,232.18
Jason Shuck	Police	Relinquishment	12.68	\$51,410.36
Robert Monier	Fire	Age & Service	24.37 (20.37 + 4.0 military)	\$14,303.31

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

7. Quarterly Investment Report – Segal Rogerscasey

Boucek gave a brief overview of the financial market conditions.

Katarski reported that the beginning market value on July 1, 2015 was \$301,710,000. The return on the investment was \$11,778,000 (1.9%) for an ending market value of \$311,200,000. The fiscal year-to-date investment performance is -3.8%.

The S&P 500 returned 7.07% compared to the index of 7.04%. The Russell 2000 Index Fund returned 3.66% compared to the index of 3.59%. Pictet's return was 6.06% and the index was 4.71%. Brandes returned 5.15% compared to the index return of 6.79%. Wells Capital was up 3.81% compared to the index return of 0.66%. Galliard returned -0.60% compared to the index of -0.51%. IR&M returned -1.10 compared to the index return of -0.94. TIPS had a negative return that matched the benchmark at -0.64%. Brandywine had a decline of -1.63% compared to the index return of -1.38%. Pyramis' return was 1.81%

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and the benchmark was 1.25%. Prudential was up 3.18% compared to the index of 3.43%. The SSgA Bloomberg Fund declined -10.51% compared to the benchmark of -10.52%. EnTrust was down -2.37% compared to the benchmark of 0.08%. Permal has acquired EnTrust. Blackstone returned 0.83% compared to the index of 0.08%.

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

8. Approval of Financial Statement Ending December 31, 2015

- The cash balance at the end of December was \$2,533,930.
- The State Street S&P 500 Flagship NL Fund decreased by (\$775,501). The return was even with the index of -1.58%.
- The State Street Russell 2000 NL Fund decreased by (\$1,024,321). The return was -5.01% compared to the index return of -5.02%.
- Pictet decreased by (\$268,081). The return was -0.50% compared to the index return of -1.35%.
- Wells Fargo had a decrease of (\$517,822). The return was -2.49% compared to the benchmark of -2.23%.
- Galliard decreased (\$218,333). The return was -0.69% compared to the index return of -0.24%.
- Income Research decreased (\$255,874). The return was -0.84% compared to the index return of -0.78%.
- Brandes increased \$15,798. The return was 0.53% compared to the index return of 0.73%.
- Brookfield increased \$13,316. The return was 0.26% compared to the index return of 0.34%.
- The US Tips NL Fund decreased by (\$122,524). The return was -0.80% compared to the index return of -0.79%.
- Brandywine had a decrease of (\$164,859). The fund returned -0.61% compared to the index return of 1.46%.
- Pyramis had a decrease of (\$342,537). The return was -2.46% compared to the index at -1.50%.
- The State Street Commodities NL Fund decreased by (\$318,541). The fund returned -3.10% compared to the index return of -3.09%.
- Blackstone had an increase of \$18,573. The fund returned 0.15% compared to the index return of -0.40%.
- Entrust had a decrease of (\$272,725). The return was -1.86% compared to the index return of -0.40%.

- Employee contributions for the month totaled \$324,760 and employer contributions totaled \$779,487. Sales tax contributions for the month totaled \$3,027,306.
- Gain/Loss in market value, including managers' fees was (\$3,943,324) for the month. Total additions were \$207,116.
- Benefit payments totaled \$1,844,747. Return of contributions totaled \$137,690. Administrative expenses totaled \$36,067. Net increase to the Plan was (\$1,811,387).
- Total Net Assets at the end of December were \$314,280,013.

Carroll made a motion to approve the financial statement ending December 31, 2015; 2nd by Hoffman. Vote all: Yes.

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

Carroll made a motion to move to closed session at 10:16 a.m. pursuant to Section 610.021(1, 3, 13, 14) RSMo.; 2nd by Hoffman. Vote all: Yes. Open session resumed at 10:18 a.m.

10. Adjournment

Carroll made a motion to adjourn the meeting; 2nd by Carter. Vote all: Yes. The meeting adjourned at 10:18 a.m. on February 11, 2016.