

Minutes of Meeting  
Board of Trustees Joint Meeting  
Non-Uniformed and Policemen & Fire Employees' Retirement System  
July 22, 2014

A meeting of the Board of trustees was called to order at 6:30 p.m. at Heman Park Community Center, 975 Pennsylvania Avenue, University City, MO 63130.

Members in Attendance: James Carr, Matthew Fillo, Edward McCarthy, Kevin Good, Tom Deken, Keith Cole, Juli Niemann, Steve McMahan, Holston Black, Frank Reedy and Patrick Wall

Members Absent: Councilman Terry Crow

Others in Attendance: Tom Mug – Pension Boards Attorney  
Patty Boyd and Sean Hughes – FAMCO Representatives  
Elaine Williams – Board Secretary  
Tina Charumilind – Treasurer

**Agenda**

The order of business and the July 22, 2014 agenda was approved.

**Minutes**

The April 22, 2014 minutes were approved.

**Chairman's Comments**

We will try to limit the items on the minutes to ten minutes each. FAMCO is working on getting our actual accounts working properly.

**Review Legislatives Changes Affecting Missouri Pension Funds**

Tom Mug provided an overview of Legislatives Changes that affected Missouri Pension Funds. He spoke on two Bills under House Bill 1882, one relates to participants duties, as an employee and the system will forfeit their pension and their retirement benefit. It is limited to certain penalties that relate to their activities as an employee.

105.684. 1. Notwithstanding any law to the contrary, no plan shall adopt or implement any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost-of-living adjustment beyond current plan provisions in effect prior to August 28, 2007, which would, in aggregate with any other proposed plan provisions, increase the plan's actuarial accrued liability when valued by an actuary using the same methods and assumptions as used in the most recent periodic valuation, unless the plan's actuary determines that the funded ratio of the most recent periodic actuarial valuation and prior to such adoption or implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation. Methods and assumptions used in valuing such proposed change may be modified if the nature is such that alternative assumptions are clearly warranted

A major provision that will affect every board member is an increase in required education. The law requires each board member to attend six hours of education annually. There will also be a requirement that education records are to be maintained and if you are aware that one of your fellow board members fails to fulfill that requirement, you will be required to remove those board members.

Pension meetings will not count towards meeting this requirement. They must be separate educational programs. Greensfelder, Hemker and Gale will be providing relevant education programs and this will be available to their clients at no charge, whereas there will be a charge for non-clients.

Member Niemann asked if the classes could be placed on computer-video accessibility. Tom Mug stated he was looking into placing some of the materials on webinars. He states that the statute doesn't specifically refer to the type of education so he thinks that doing it on computer will work just fine. A question was asked if the education needed to be pre-approved.

Tom Mug stated it did not have to be pre-approved, but it does need to cover specific topics and every topic does not have to be covered every year. The records must be maintained similar to CPE records and be available for viewing. This requirement is effective for 2014 but Tom Mug was told it will not be actively enforced against plans that are making a good faith effort to comply at this point for 2014. However, they will probably be more rigid in 2015.

The last item under the bill that shows up in a different spot is a provision under Chapter 104 that is now included in Chapter 105 specifically requiring retirement plans develop procurement active plans for utilization for women and minority money managers, brokers and investment advisors. The system is required to report annually to the Joint Committee on Public Employee Retirement (JCPER).

A question was asked how the training would be conducted since we are on a fiscal year. Tom Mug read the statute and assumed it refers to calendar year. And clarified that the records should be maintained by the board but do need to be available for the JCPER if requested.

Member McCarthy asked what would be the penalty for non-compliance. Tom Mug stated it would be the responsibility of the Board to remove a member who did not comply. If the whole Board does not do it, then there will be no prescribed penalties.

### FAMCO

Chairman Carr suggested that Sean Hughes and Patty Boyd focus on the new portfolio page which shows a very basic performance chart that was worked on, then move on to the concept called strategy.

Ms. Boyd referred to the Police and Fire Portfolio, Page 6. She explained the three basic objectives listed on that page, referred as a scorecard which summarizes what the next pages follows listed in the portfolio.

Total portfolio page showed what our performance was for the quarter year to date. The five year cycle was looked at (5-7 Years) which is available quarterly, not annually. The benchmark reflects 12.8 which changed over the years, based on perception of portfolios, and there was a fixed income portfolio. In 2007 was when the Euro funds started. It was a blended portfolio benchmark.

Chairman Carr asked if the Board members felt this one sheet was useful and if any other presentation should be introduced.

Vice Chairman Fillo was curious if for year one and two that something can be filled out year to date, or if it was just focused on the five year. Ms. Boyd responded that it focused on the five (5) years because it was targeted for that cycle - and not necessarily relevant for the other years. She stated the information was listed on another page.

Member McCarthy asked a question regarding information on Page 8, under current actuary's assumptions, if the performance is above 69.3%, which is a five (5) year return, should the actuary

assumption be five (5) times that. When you add all the years up, 1-5 years, you should be able to add them all up to get the 69%.

Chairman Carr asked what would happen to line one in this case. It needs to reflect total performance, and not annual. The idea is to see what is meaningful to all Board members and there may be a little distraction with the one number 69.3% if there could be a summary of total portfolio rather than annual performance.

Member Reedy asked if perhaps everything should be annualized.

Chairman Carr stated that annualization is the way that most things are presented and that perhaps another column could be added with an asterisk that states the information is listed on the following page.

Ms. Boyd advised that she could annualize the number within the chart and that an additional line could be added on page 6 to reflect this information.

Member McCarthy asked if on the overall performance if we would have latitude to go from 75 points to 50/50, and that we are still at 67.3 and if there is any reason we have not gone over the 67.3 mix.

Sean Hughes stated we are a little over in equity. If we move close to 75, we may want to consider more conservative equity.

This led the Board into a Covered Call Writing discussion and Chairman Carr provided an example:

Sean Hughes of FAMCO presented the concept of Covered Call (CC) writing (selling). If you own the stock, selling covered calls can be a conservative strategy to generate income on a stock portfolio. With bonds at very low interest rate, covered calls could be a substitute. Mr. Hughes referred to his handout. Stock dividends plus CC income compares very well to bond interest and to equity dividends alone. The trade-off is that covered calls could result in giving up some of the growth potential of equities in a good stock market. A CC strategy would be more risky than bonds and less risky than straight equity.

The CC strategy would be a separate portfolio. FAMCO would keep the fee on that portion the same as our stock and bond portfolios. Sean suggested that we consider 10-20% of our overall portfolio in CC. Wiley Angell could come to our meeting to help us as we refine our interest.

In summary, when stock goes up, our portfolio does not go up that much. When stock goes down, our portfolio does not go down that much because we generate the income throughout the year. In 2008, one of the worst years, the stock market was down and Covered Call strategy went down less.

Chairman Carr summarized this by saying we are ball parking 10-15% with our equity portion of our portfolio. Maybe we are trying to get three things, basic bonds and stocks like we've always had but bonds do not deliver as much. We can make some of this equity act a little bit more like bonds.

Member Niemann stated this is a much lower risk approach to it. A lot of people that have been using high yield bonds as a substitute for equity. You are collecting higher coupons but making higher credit risk. This way, we are pretty much eliminating this because we are going toward more common stock and what we are going to experience is that we are giving up upside potential and giving up good income and a very high conservative strategy makes sense.

Member McCarthy asked if we are a rising market, are we going to end up lagging behind. Mr. Hughes stated that 0-10 % will give us additional income to cover this. Member Niemann stated it does allow us to decrease the asset allocation bonds.

Vice Chairman Fillo asked how the change would be implemented. Mr. Hughes stated a separate portfolio could be made like the one we did for our bond equity portfolio.

Chairman Carr stated that FAMCO and Ms. Boyd are working on getting the registration current for our portfolios. There are a total of six. For each Pension Fund we have an equity portfolio, bond portfolio, and then a separate portfolio to hold the EuroPacific fund.

Member McMahon asked if Covered Call is considered equity income. Mr. Hughes said it was considered short term income. He further asked how this affects us overall. Mr. Hughes stated typically charging more for Covered Calls is a basis point, but since they are recommending our asset allocation; they want the fees the same on all portfolios.

We will discuss this at our next meeting and possibly make a decision.

#### **Agreements with Professional Services and Firms**

Member McCarthy wanted to take a look at the agreements we have on file with professional services and firms. He believes we have not reviewed any contracts or agreements with banks, lawyers, actuary, administrators, custodians, etc. and that it would be a good idea for the Board to take a look at the dollar amounts we pay monthly for professional services.

While FAMCO charges 0.25% annually to manage our funds, there are other fees paid, such as custodians, transaction fees, attorney, actuary, etc. Member McCarthy will work with Ms. Charumilind to summarize all fees paid and suggest action, as necessary.

Chairman Carr said this could be an informal project and Member McCarthy agreed to this. To get a listing and formulate a game plan on what we may want to do about it.

#### **Council Liaison's Comment:**

None

#### **Other Matters**

Chairman Carr reported on his investigation of our insurance. We pay for fiduciary insurance from Travelers, through Daniel and Henry that would cover legal fees if there is a case against a Pension Board. In addition, we participate in St. Louis Area Insurance Trust (SLAIT), which is a municipal self-insurance group. This would cover a judgment against the Board.

Ms. Charumilind reviewed the shortfall in cash flow to pay active retirees and beneficiaries. She stated that UMB has been transferring \$75,000 and \$160,000 monthly to Non-Uniformed and Police and Fire, respectively. Since retirees in both plans have increased, the benefits need to be increased as well. Member McCarthy volunteered to investigate sources and uses of revenue for this distribution, property taxes for Police and Fire, and related matters.

Member McCarthy asked what is the contribution on annual basis that we are supposed to be putting in, dollar wise? He said that for Police and Fire, it would be very little or none, because that comes from Property tax revenue, so he asked how much the City put in for Non-Uniformed Plan.

Ms. Charumilind replied that the annual contribution is based on the actuary's recommended amount. The City wires transfer to UMB. Without having the report in front of her, for the past year, she believes it was approximately \$700,000 for Non- Uniformed Plan.

Member McCarthy stated that we are moving backward. He thinks the City should take the available funds they have currently, which are a lot, and use those to pay the current liability that we have for our pensioners. He thought we would be putting in one million dollars each year, but he says we are only putting in \$700,000 a year for the Non-Uniformed.

Ms. Charumilind added that the Board agreed that we continue to make contribution based on recommended amounts from the actuary, we should be fine.

Member McCarthy said one of the problems that we have is FAMCO has to maintain a rather large amount of cash balance, because they are going to be burning this at \$100,000 a month, so they cannot invest the fund in long term, they have to liquidate them in order for them to invest. It is going to be \$96,000-\$170,000 a month for Non-Uniformed. So should we invest the funds for a longer term, give them less money to manage, that does not sound as if it is going to be working.

Member McCarthy said he does not understand Hancock, how we can have a decrease in real estate taxes, about \$50,000. He will try to find out.

**Motion: Member McCarthy made a motion that the Board approves an increase of \$20,000 to \$95,000 monthly payment to the Non-Uniformed pension distribution.**

Member McCarthy moved and Member Niemann seconded. The motion was passed.

**Motion: Member McCarthy made a motion that the Board approves an increase of \$10,000 to \$170,000 monthly payment to the Police & Fire pension distribution.**

Member McCarthy moved and Member Niemann seconded. The motion was passed.

**Next Meeting Date**

October 28, 2014

**Adjournment**

The meeting adjourned at 7:40 p.m.

Minutes of Meeting  
Board of Trustees Non-Uniformed Retirement System  
July 22, 2014

A meeting of the Board of trustees was called to order at 7:49 p.m. at Heman Park Community Center, 975 Pennsylvania Avenue, University City, MO 63130

Members in Attendance: James Carr, Matthew Fillo, Edward McCarthy,  
Keith Cole, Juli Niemann, Steve McMahon, Holston Black,  
Frank Reedy and Patrick Wall

Member Absent: Councilman Terry Crow

Others in Attendance: Tom Mug – Pension Board Attorney  
Tom Deken and Kevin Good – Police & Fire Board Members  
Elaine Williams – Board Secretary  
Tina Charumilind – Treasurer

**Agenda**

The order of business and the July 22, 2014 agenda was approved.

**Minutes**

The April 22, 2014 minutes were approved.

**Approval of Disbursements**

A question was asked why there were two bills from Buck Consultants. Ms. Charumilind stated one bill was for an in progress report and another was final. The cost of the actuarial valuation report will be the two added together.

**New Member Applications-Informational**

Original packets were presented to Vice Chairman Fillo, date of birth and birth certificates were verified. Packets were approved for the following members:

Anika Roy – Advanced Typist, Community Development  
Barbara Mathis – Advanced Clerk Typist, Community Development  
Daniel Carter – Custodian, Community Development  
Jennifer Wendt – Project Manager, Public Works & Parks  
Samantha Smith – Inspector, Community Development

**Retirement Applications**

Ms. Charumilind made a note that the calculation sheet presented that reflected Mr. Zimmerman's amount was not from Buck Consultants. She stated the calculation was very simple, and that she decided to calculate it herself, send it to Buck, asked him for a review, and to return it but he did not. The dollar amount was not much different from the final one that Buck prepared as of January 1, 2014.

Member Fillo said for the future, we are intending to review what Buck Consultants does. Plan members should be able to know what is current and what their potential benefits should be and it is good to be able to see what they do to get a sense of how much money they will have when they retire.

Chairman Carr said it may be a bit more risky for us to do it ourselves. Member McCarthy said the only difference in the calculation was an amount of \$5.00.

Ms. Charumilind mentioned to the Board that Mr. Zimmerman would be retired next month, and that the Board would not convene prior to that time.

**Motion: A motion was made that the Board approve Mr. Zimmerman's retirement benefit payment, which will be calculated by Buck Consultants.**

Member McCarthy moved and Member Niemann seconded.

The motion was approved.

**Other Matters**

See joint meeting minutes for a motion that was approved for this board, pertaining to pension fund payments.

**Next Meeting Date**

October 28, 2014

**Adjournment**

The meeting adjourned at 7:50 p.m.

Minutes of Meeting  
Board of Trustees Police & Fire Employees Retirement System  
July 22, 2014

A meeting of the Board of Trustees was called to order at 7:50 p.m. at Heman Park Community Center, 975 Pennsylvania Avenue, University City, MO 63130

Members in Attendance: James Carr, Matthew Fillo, Edward McCarthy, Kevin Good, Tom Deken, Juli Niemann, Steve McMahon, Holston Black and Frank Reedy

Members Absent: Councilmember Terry Crow

Others in Attendance: Tom Mug – Pension Board Attorney  
Keith Cole – Non-Uniformed Board Member  
Patrick Wall – Non-Uniformed Board Member  
Elaine Williams – Board Secretary  
Tina Charumilind – Treasurer

**Agenda**

This order of business and the July 22, 2014 agenda was approved.

**Minutes**

The April 22, 2014 minutes were approved.

**A Cost of Living Adjustment for Current Retirees**

Member Deken started, since 2008 retirees have not had a cost of living adjustment (COLA) increase. He cited two retirees who have been receiving benefits of \$462.00 and \$475.00 per month. He commented on inflation affecting these long-term retirees. Increases in benefit are considered enhancements to the plans. The 80% funding rule regulated by Missouri State means we could only increase COLA for Police & Fire only, because the Non-Uniformed Plan's funding level is slightly below 80%. Additionally, a study by actuary would be required if the increase is greater than \$25.00 per period. Ms. Charumilind pointed out that in 2008, an increase of \$21.00 per month for Police and Fire cost the plan by \$181,930. Member Reedy felt we should understand the actuarial cost, not just the annual cost. It needs to take in consideration of individual age and mortality table. Chairman Carr viewed this move to be negative, due to the fact that all retirees will be receiving this increase. Generally, people with a large check will not benefit as much as people with a smaller check. There will be a cost associated with all beneficiaries even though the lower end will benefit the most. Member Deken confirmed that is the idea.

Vice Chairman Fillo felt we should do a study of this. Board Member Niemann asked what the cost associated with this study would be. It was suggested a ball park figure of \$10,000.

Chairman Carr referred to page 58 of the JPERS report which states that COLA is ad hoc, meaning that people from time to time can make decisions on COLA and there is not any mechanism built in. Chairman Carr does not feel it is our responsibility to solve the problem of inflation for everyone.

Member Deken stated that we have a responsibility to the dependents of people who used to work here to see that their dependents are being taking care of.



Mr. Mug said if this is a substantial change, and if it will increase the plan benefit by 5% or more, and requires a cost statement from the actuary, if not, it only needs approval by the City council.

**Motion: The Police and Fire Pension Boards recommend to City Council that they pass a \$25.00 monthly increase (COLA) for Police & Fire pension beneficiaries.**

**The motion was passed.**

**Purchase Creditable Service- Missouri Revised Statutes - RSMo. 105.691**

Member Deken informed the Board that for some time now, he has been getting questions about the implementation of Missouri Statutes, Section 105.691 that basically says that any individual having earned creditable service under the provisions of any of the retirement plans identified in this section who is not vested in such plans and who becomes employed and vested in a position covered by another retirement plan identified in this section shall be permitted to purchase creditable service in the plan in which the individual is vested up to the actual number of years of creditable service the individual has in the other plans. *The cost shall be determined using accepted actuarial methods by the receiving plan.*

Because this provision is required by the State, we should adopt it. There may be as many as ten (10) individuals who are eligible for this provision if the Board implements it. Board Member Deken said this was brought up again by a former employee, Officer Christopher Nappier, who had never got an answer. Member Deken is asked about Officer Nappier's status under this provision, as a former employee.

Chairman Carr asked Member Deken to give the Board members the basics referencing to a City employee who used to work for another agency.

A Police Officer worked for St. Louis City previously for six (6) years and we hired him, he gets the ten (10) year mark and is vested with University City, not his previous employer. He wants to buy four years into our system so that he is credited for 14, rather than 10, so at 21 years here, he will have the 25 years he needs. What we need is to find out how much it will cost him to buy into the fund. The statute allows him to do this.

Mr. Mug said the provision of the Missouri Statute gives the individual the right to buy in. It is a mandatory provision and not optional for the City whether or not it allows the participant described in the situation above to buy in, and simply said, they pay for cost to buy in and the actuary determines this using the actuary methods provided by the plan.

Mr. Mug stated the pension plan should be amended to support the mechanism for how this works in U-City. Chairman Carr asked that Mr. Mug prepare an amendment to the City's Plan.

Vice Chairman Fillo felt we need a process or forms to implement this. Regarding sources of money, Member Reedy pointed out that money should be transferable from a defined contribution plan (401) to a defined benefit plan, if the DB allows it. The Board discussed how this affects various calculations, offset balance, performance of fund, and retirement dates.

Member Cole suggested that ICMA might help us understand how to do this (possibly free). Buck consultants should be involved. Member Deken has a contact at ICMA and will make contact for help, as long as there is no charge.

Vice Chairman Fillo volunteered to investigate the process, application, and forms involved and Ms. Charumilind will help by contacting other municipalities on this.

Member Black said the procedures are already spelled out in Sections 6-9. Member Deken said he would contact ICMA and ask for the application process, cost of the plan and who are we to get the City to comply.

**Possibility of Retiree's Benefit Decreasing from One Year to the Next**  
**Off set balance, 5% Contribution was assumed to Grow at 7 % Yield**

Member Deken provided comments on the basics on the way their monthly pension checks are determined, which is called an off-set balance. After an employee is vested for 10 years, an amount is rolled over into their 401, and employees contribute 5% of their salary monthly. That amount grows significantly at 7% once vested and once we retire, there is a hypothetically number that we get using a number that determines how much we will get monthly.

After 25 years, you are eligible to retire, we get a statement that shows what your off-set balance is, and here is what your monthly check will be.

Regarding Member Deken, his statement showed a projected benefit of \$60.00 less than his prior year projection. Mr. Siepmann, actuary, has provided an explanation but the Board had further questions.

The Board asked Ms. Charumilind to contact Buck Consultants with the following questions:

1. How did the error occur?
2. When was it made and when discovered?
3. Did the same error occur for others?
4. Could this affect actual retirement benefit payments for others?
5. Can we be assured that it will not happen again?

Member McCarthy stated we should call and get the formula so that we could figure the calculations ourselves and get new actuaries because it is our plan.

**Loans from 401 Plan**

Member McCarthy proposes to eliminate or reduce loans. He expressed a concern about employees in the long run and they may not understand the consequences. As such, he wants to restrict or change this provision. Member Deken pointed out that this is an important benefit for some employees. It is not an ideal situation but the interest rate for this loan is considered low. Vice Chairman Fillo preferred to leave the plan alone, but to assure that the employees are educated about this issue.

Three possible solutions to resolve this are:

1. Lower the amount of loans
2. Raise the interest rate to 7% and
3. Let it continue and point out to the employees that they are stealing from themselves.

Chairman Carr asked Mr. Mug to provide insight on this and asked if there was any discrimination rule if we were trying to restrict anyone from taking a loan who signed up for the plan and then we took it away.

Mr. Mug stated that the provisions that require that are not applicable to our plan. There is nothing to prohibit our plan from eliminating a loan. We are required to preserve certain benefits and the provisions that require that are not applicable to government plans.

Member Deken agreed with Member McCarthy that the loans are not a good idea. People get the loan because it is at a really good rate. One of the penalties is that you pay taxes on the money you borrow and pay back with after tax money.

Member McCarthy stated that they can borrow up to 50% of their balance. Ms. Charumilind stated that the plan allows employee to have one loan at a time. Therefore, employee has to pay off the existing loan by refinancing in order to take out a larger amount of loan. The loan payment is after tax deductions, then Ms. Charumilind suggested that the City offer the Roth IRA, as it is after tax money. They can take their money out as they need it and don't have to worry about paying taxes, because Roth IRA withdrawals are tax free. She also stated the employees need to be educated. The loan processing procedure is too easy, the employees can apply on line, and come into Human Resources office to pick up their check. Some employees pay for Federal Express service on their own. She restated that ICMA makes money from the administration fees but the employees have to pay taxes twice. Most people's tax bracket is at the minimum of 18%. Currently employees only think about the 3% interest on the loan. The Board agreed to leave this alone, though continue to emphasize education.

Member McCarthy asked if there was a responsibility from the City that prevents our employees from doing this because we are setting up a mechanism that prevents them from having retirement funds and we are promoting this and he needs guidance on what we can do. Member Black said some employees are just going to make bad decisions.

Chairman Carr stated for some people, this is their only option, to borrow, and asked if there is any other education that can be presented to Police & Fire meeting.

#### **Approval of Disbursements**

Disbursements were approved.

#### **New Member Applications**

Applications were approved for the following:

Aaron Hamond – Paramedic/Firefighter  
James Cage – Paramedic/Firefighter  
James Grandstaff – Paramedic/Firefighter  
Kellen Locke – Police Officer  
LaMarcia McDonald – Paramedic/Firefighter

#### **Other Matters**

See joint meeting minutes for a motion that was approved for this board, pertaining to pension fund payments.

#### **Next Meeting Date**

October 28, 2014

#### **Adjournment**

The meeting adjourned at 8:37 p.m.