

**Board of Trustees
Joint Meeting
Non-Uniformed and Policemen & Fire Employees' Retirement System
January 26, 2016**

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: Matthew Fillo, Edward McCarthy, Steve McMahon, Holston Black, Frank Reedy, James Stutz, Brian Isenberg, Patrick Wall

Members Excused: Juli Niemann, Joel Myers, Keith Cole, Terry Crow – Councilmember
Tina Charumilind - Treasurer

Others in Attendance: Tom Mug - Greensfelder, Hemker & Gale
Patty Boyd and Sean Hughes - FAMCO Representatives
Elaine Williams - Board Secretary

Agenda

The order of business and the January 26, 2016 agenda was approved.

Minutes

A motion was made to approve the October 28, 2015 minutes. Member McCarthy seconded and the October 28, 2016 minutes were approved.

Chairman's Comments

Chairman Fillo stated that the Board attempted to have a special meeting, but that it did not work out. The purpose was for a possible recommendation that City Council should pursue a tax increase to make up the short fall for the Pension Plan.

He mentioned that Ms. Charumilind sent Councilmember Crow the shortfalls for each fund, some recommended contributions and a summary, the Plan is short of a large amount. Even though \$415, 000 thousand was put in earlier into the Police & Fire Plan, and another \$370,000 was put into the Non-Uniformed Plan, these only shadowed the pending issues that we are now facing.

Chairman Fillo again stated that as Pension Board member, perhaps a recommendation to Council for a tax increase can be submitted. He also stated because of the Hancock, nothing can be done short in making an application to citizens for a tax increase. He asked the members if it was still a good idea to make the recommendation about taxes to Council and if it makes sense.

Quarterly Portfolio review and Funding Consideration Discussion- Sean Hughes and Patty Boyd - Ziegler Capital Management, LLC.

Mr. Hughes reviewed and summarized the Covered Call Review as listed on page 4 of the portfolio. Mr. Hughes explained that the expensive growth stocks continued to outperform

throughout the year, with a large cap growth stocks exceeding the return of large cap value stocks by nearly 900 basis points. The growth stocks outperformance over value stocks in 2015 led to one of the widest valuation differences.

Performance Review – Gross of Fees (page 10), FAMCO Group does not manage the American Funds EuroPacific Growth Fund Class F shares, however, the Pension Board members have requested performance for the fund to be reported.

Allocations were changed, as listed on page 11. The Pension portfolio is invested in large capitalization stocks traded on U.S. exchanges. Back on June 26, 2007, the board directed that 12% of the total portfolio's assets be invested in the American Funds Europacific Growth Fund Class F shares.

Mr. Hughes stated FAMCO does not focus on growth and stock and that they prefer companies with more stable earning such as some of the ones listed on page 16, i.e, Home Depot, Apple, Pepsi Cola, CVS Health Corp, Johnson & Johnson etc.

The Domestic equity Weighting Exposure vs. S&P 500 index as of December 31, 2015 (page 17) shows focus on more U.S. based industrial, other than international. And the Call Option Characteristics listed on page 19 shows characteristics when the market was volatile, and that is when FAMCO likes to lock in.

A general discussion took place and board members asked what could be done to get 8% returns for the portfolio? Some members also mentioned that the interest rate was very low.

Mr. Hughes referred to page 10 of the portfolio which reflected an average return when the S&P was up 1.4 in 2015. The Chairman asked Mr. Hughes if he knew what the average return would be in the next five years, of which Mr. Hughes replied “no”.

Member McCarthy mentioned that the portfolio is beating the five (5) year actuary's assumption, and has gone thru a strong market. Although FAMCO likes to value large cap stock, however, it is still questionable if FAMCO's position and philosophy may or may not be the right mix for the City's Pension Plan.

It was clear that FAMCO does their job, but the Board should ask themselves if they should continue to give them (FAMCO) everything the City has, or should FAMCO be replaced? It was also asked if the board members should replace FAMCO and perhaps do something different. FAMCO had no response.

In closing, it appears that FAMCO large cap value stocks can be the best buy, but looking at the past, the City is doing ok, (as a small cap value stock holder) but the question remains, is the Board just following FAMCO, and are we investing correctly? What can the Board members do differently?

Chairman Fillo stated that their needs to be a justification for diversifying the process. With what is remaining on the portfolio, the Board members need to increase the retirement and risk profile.

Other questions came up in the discussion “does the Board have the power to accept the increase in risk”. He agreed that the board has to figure out how to fund it.

Other options were mentioned and questions were raised:

- Is there a need to draw the money out every month? Will the City advance the monthly pension benefit payment? If the City pays 100%, do we leave money in fund and leave the current investments alone?

Pension Board Attorney's Update

Tom Mug informed the members that the IRS issued a new regulation on retirement age that included a safe harbor for qualified public safety employees; however the City's plan will not be affected because our current guidelines are within safe harbor and we do not have to look into any changes.

At the State level, one piece of proposal is changing the guideline for pension plan that is underfunded at 60%. The bill is currently at the Missouri Senate, and it will change from 60% to 70% and will change the delinquent time line from 5 to 2 years.

Regarding the seminar / training that was held back in October 2015, the classes will start again next fall, and a survey will be sent out to all who did attend with questions such as what can be done better. The survey is rather short and will only take three (3) minutes to fill out.

Chairman Fillo asked if the website listed any upcoming events and Mr. Mug said he believed it did and he also mentioned that CPE credits would be received for some of the courses.

Council Liaison's Comments

None

Other Matters-Update board discussion on possible recommendations to the City Council regarding funding shortfall.

Member Reedy stated according to the ordinances, it is not the purpose of the Board to run the budget, and that there are other things the City can do to derive funds. He stated there needs to be a definitive tax break and it is the City's responsibility to make decisions about funding, and that he does not believe the Board members can make recommendation about taxes.

Member McCarthy asked how dowe fund the plans. He reminded the members that the Non-Uniformed will come out of General Fund and that he was not looking for a definitive view, but that he was looking for the City to contribute \$500,000-\$600,000 out of General Fund or go for a tax increase. If something does not change, we will remain with our head in the sand until we have a deficiency and this is - something that we do not want. The board members are not in political positions, but are to look for funding. He asked the question how must the members take care of it because it is not going away, nor is it getting any smaller.

Chairman Fillo said there were a lot of variables that go in.

Member Reedy objected to a tax increase, and that it was the Boards' duties to observe and pass along ideas, and that we can find other ways elsewhere. He stated that any

recommendation the Board makes, the people affected needed to be informed and they can also decide where the funds should come from.

A recommendation and question arose if the Board should have an independent advisor should be asked to look how we do our investment. Perhaps we could lower the cost and tweak returns and if we see better returns, how long will it take us to see the returns? It was also stated that the City can move revenue.

Member Isenberg asked how does the Board see a realistic open minded way as asking the City to take funds from other places if they are available.

Chairman Fillo informed him that anything decided on from the members has no bearing, but the Board only recommends to City Council things such as modest increase in taxes but again, there is no true bearing.

Mr. Mug reminded the board that the ordinance were different for Police & Fire and Non-Uniformed. The Non-Uniformed funding comes from general revenue, and Police & Fire comes from property taxes and perhaps a change can also be made to the sources.

Member McCarthy said the general funding comes from a contribution from the Council and that there are other options, and the deficit needs to be taken care of. He went on to say that Ms. Charumilind took 2015 contributions, placed them in 2015 and counted them in 2015. Previously, she used to take October – March, add those up and put the funds in the next year's contribution, but we are already short.

It was also questioned how the actuary's assumptions were being made and that the funds are not going to have money and that we do not have to tax if we have too much money, but we don't see that in the foreseeable future.

Member Reedy said he does not think the Board should even use the verbiage and that the representative's should make the decision. He said the City is to manage city taxes, they are elected, they do the budget and that there is some substantial cash reserve out there.

Member McMahan agreed to the rules that the Board responsibilities are to work under and reiterated that the purpose of the Board is to manage the fund and not make political decisions. He went on to say when numbers are received from the actuaries, that is what should be relayed to City Council, "what is needed", and it should include unfunded liability and to tell them to pay the bill.

He summarized by stating the option that since we need tax revenue, then let's consider selling property to get some type of revenue source because it is not in the budget and that other than tax increase, what else is there, but when we say the word TAX, that is the only word that makes people pay attention.

Member McMahan mentioned that the City Council is aware of the problem and that at Monday night's meeting, Council Member Kraft said they were looking into it.

He closed by saying that City Council needs to figure out a way, and that the Pension board is to present numbers to Council, and if those numbers are incorrect, then that would be the

Pension board problem. The board should just send the bill and Council should take it from there. The pension board should manage the fund, and to make sure the actuary numbers are just right.

Member Stutz said it could not go on the April ballot and Chairman Fillo stated that was correct and there would have been a cost that would have been shared and there is no reason not to enforce Council to do something and there is going to be a large gap until we figure this out.

Chairman Fillo said we adopted some actuary tables within the last six months and that tables does show people living longer and it is costing the pension more and we simply need a more up to date mortality table that reflects longevity. Member Wall asked if there was any update to the tables in 2015. Member Wall stated that Ms. Charumilind had also mentioned percentage contribution changes and perhaps the City can provide a half percent raise and she would investigate this change with Buck Consultant of how it will affect us. Member McCarthy asked why would the employees not put the funds into their own plan, it was a long term commitment to fund the plan.

Regarding the training seminars, Member McCarthy stated he learned a lot from the classes that he attended, he learned about liabilities affecting amortization. He said over 15 years, there are two ways to look at a amortization statement: 1-Open and 2-Close method and overall it is like going out and recalculating the loan, which adds another year, the loan never gets paid within that 15 year original timeline and if we are using that method, it is worst.

Other Matters- Whether disabled retiree who received lump sum disability benefit is eligible for early retirement.

Member McCarthy asked Tom Mug his opinion about this. Tom Mug stated that there is nothing that the Board can do to stop him from receiving his pension, even though he had received the advance payment of a disability payment. He also reminded the Board that our plan was revised back on October 12, 2015.

During the discussion, members wanted to confirm if the City was responsible for any other payments or insurance to participant or if they would pay out a lump sum disability payment to any other participant.

Ms. Williams replied that this payment was issued by a previous insurance carrier - Custom Disability and the City did not pay out any type of advance lump sum, nor would the City be obligated to cover any insurance on this participant.

Tom Mug went on to say that under early entitlement age of 65, during that period, disability is paid for, in lieu of early retirement, and if participate converts balance to lump sum, he got payments and will then get early retirement and that there was no provision in Non-Uniformed ordnance against this action.

Chairman Fillo wanted to know what the Boards mandate was to approve this retirement and if the Board rejected, what authority does the Board have? He also wanted to confirm if our new policy has any lump sum provision in it. Chairman Fillo directed the statement to Tom Mug- the way the ordnance is written now, and based on what he has read and seen, if there were any

real issues. Tom Mug stated we have to give him his monthly pension and that there were no real issues.

Board members wanted to know why the employee took the lump sum payment and why the letter from Buck Consultant was dated April 24, 2015, and showed a commencement date of May 1, 2015, and wondered if the amount would have changed if the participant would have waited to May 1, 2018? Mr. Mug said that there would have only been a minor change in the amount that was listed on the letter.

Ms. Williams stated the participant had come into the office back in 2015 and wanted to know what his monthly pension would be. At that time, he was receiving a monthly disability check from Custom Disability and said he would continue to receive that and wanted his pension to start immediately.

Board members did not fully understand why he really wanted to take the lump sum disability and felt they needed more material information because this was a unique case. He decided to table this since the retirement was not on the agenda and he wanted to speak with the Treasurer.

Other Matters – *Is an employee who left U City and returned multiple times within the duration longer than one year eligible for reinstatement and combined years of service?*

Tom Mug informed the board members that the way the plan reads, for Non-Uniformed Plan, “if a member resumes employment within one (1) year after the member’s employment is terminated and provided the member has not withdrawn his/her accumulated contributions, the member’s creditable service as of the date of termination shall be restored. (See Section 130.480) for Non-Uniformed employees.

Other Matters

Member McCarthy made a motion to appoint Member Steve McMahon as the new Chairman, and Member Frank Reedy as the Vice-Chairman. Member Holston Black seconded. The motion passed.

Next Meeting Dates

April 26, 2016

Adjournment

The meeting adjourned at 7:45 p.m.

**Board of Trustees
Non-Uniformed Employees' Retirement System
January 26, 2016**

A meeting of the Board of trustees was called to order at 7:45 p.m. at Heman Park Community Center, 975 Pennsylvania Avenue, University City, MO 63130

Members in Attendance: Matthew Fillo, Edward McCarthy, Steve McMahon, Holston Black, Frank Reedy, James Stutz, Patrick Wall

Members Excused: Juli Niemann and Keith Cole,
Terry Crow - Councilmember
Tina Charumilind - Treasurer

Others in Attendance: Tom Mug-Greensfelder, Hemker & Gale
Brian Isenberg – Police & Fire Plan Member
Elaine Williams - Board Secretary

Agenda

The order of business and the January 26, 2016 agenda was approved.

Minutes

A motion was made to approve the October 28, 2015 minutes. Member McCarthy seconded and the October 28, 2015 minutes were approved.

Approval of Disbursements (Approval)

Disbursements were approved. Members wanted the confirmation or acknowledgment that obituaries were being checked on a recurring basis. Ms. Williams was asked to pass this information on to the treasurer.

New Member Applications (Informational)

Applications were reviewed for Jake Goldstein, Anthony Goodwin, and Demetrice Williams.

Approval of Retirement Application

None

Other Matters

None

Next Meeting Dates-April 26, July 26 and October 25, 2016.

Adjournment

Meeting adjourned at 7:49 p.m.

**Board of Trustees
Policemen & Fire Employees' Retirement System
January 26, 2016**

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: Matthew Fillo, Edward McCarthy, Steve McMahon,
Holston Black, Frank Reedy, James Stutz, Brian Isenberg,

Members Excused: Juli Niemann and Joel Myers
Terry Crow - Councilmember
Tina Charumilind - Treasurer

Others in Attendance: Tom Mug - Greensfelder, Hemker & Gale
Patrick Wall – Non-Uniformed Plan Member
Elaine Williams – Board Secretary

Agenda

The order of business and the January 26, 2016 agenda was approved.

Minutes

A motion was made to approve the October 28, 2015 minutes. Member McCarthy seconded and the minutes were approved.

Approval of Disbursements (Approval)

Disbursements were approved. Members wanted the confirmation or acknowledgment that obituaries were being checked on a recurring basis. Ms. Williams was asked to pass this information on to the Treasurer.

New Member Applications (Informational)

Applications were reviewed for Stephen Casey, Christopher Golden, Dominic Margherio, and Charles Subke.

Approval of Retirement Applications

Applications were approved for Thomas Deken and Steve Olshwanger.

Other Matters-*Calculated cost for purchase of service was much higher than what employee expected*

Ms. Williams was asked to provide the employee with the form to purchase the service credit. An amount was not provided at this time to what the employee had anticipated.

Next Meeting Dates-April 26, July 26 and October 25, 2016.

Adjournment - The board adjourned at 8:52 p.m.