



**BOARD OF TRUSTEES FOR UNIVERSITY CITY PENSION PLAN
MINUTES OF JOINT MEETING**

**Non-Uniformed and Police & Fire Employee's Retirement System
July 27, 2021 at 6:30 p.m.**

A meeting of the Board of Trustees via Zoom was called to order by acclamation at 6:30 p.m.

Members in Attendance: **Thomas Jennings, Joel Myers, James Stutz, Edward Deitzler, Eric Whritnour, Brian Isenberg, Tony Westbrooks; non-voting –Gregory Rose**

Member(s) Absent:

Member(s) Excused: **Patrick Wall**

Others in Attendance: **Todd Davis– Ziegler Capital Management
Wiley Angell—Ziegler Capital Management
Duncan Reynolds—Buck Consultants
Michael Ribble—Buck Consultants
Heather Mehta – Greensfelder, Hemker & Gale P. C

Keith Cole –Treasurer
Gabby Macaluso – Staff Liaison**

Agenda

Member Jennings motioned to approve the agenda. The motion was seconded by Member Myers. The motion was passed with unanimous consent.

Minutes

Chairman Stutz called for an approval of the minutes. Member Whritnour moved to approve the minutes. The motion was seconded by Member Jennings and approval carried unanimously.

Quarterly Portfolio Review

Todd Davis of Ziegler Capital Management provided an overview of the previous quarter's Non-Uniformed and Police and Fire portfolios. The YTD performance through the first quarter has outperformed benchmarks with returns up 11.1% compared to the benchmark rate being up 8.4%. Returns for the one year are at 30.1% versus the benchmark of 26.2%. Todd Davis explains that asset allocation is the driver of these results. The covered call portfolio is returning 11.8% and helps with downside projection on the equity side.

The portfolio is positioned more conservatively now than earlier in the year and is well situated going forward. Wiley Angell of Ziegler Capital Management describes the current market

conditions. From Oct. 2020 to March 2021, it was a good reopening market with vaccination distribution facilitating stock growth. Since April 2020, there are growing uncertainties regarding COVID-19 and inflation concerns. Overall inflation seems to be in check with interest rates and commodity prices reduced in the second quarter.

Wiley Angell presented a policy recommendation with the Police and Fire account to make an adjustment back from small cap stocks to large cap stocks. Specifically, the recommendation made is to move \$5 million from the Vanguard stocks in small caps and mid-caps into the larger cap stocks that are actively managed by Ziegler Capital Management. The board with guidance from City Manager Rose decided to take a vote during the Police and Fire Employees Retirement System meeting, not during the joint meeting.

Annual Actuarial Valuation Review

Michael Ribble of Buck Consultants provided an overview of the 2021 Actuarial Valuations. There was no change in the plan provisions. These valuations are a snapshot as of January 1, 2021 and are based on the assets as of December 31, 2020 and the smoothed actuarial value using the 20% method. The purpose is to monitor the fund status of the plan, determine how much money is in the fund versus how much money should be in the fund, and identify the contributions that are required by the City to maintain the fund.

Michael Ribble recommends that study be conducted to make sure that the valuation rates are not out of date and the assumptions for retirement are correct. This study would indicate the best method for tweaking the smoothing method and amortization terms.

Police and Fire Employees Retirement System

Michael Ribble notes that as of January 1, 2021 within the Police and Fire Employees Retirement System, the number of participants who are retired and vested stayed stable. The largest change was an increase in the number of active employees in the system from 95 to 119 in 2020. This increase is due to an influx in the number of hired employees. He notes that hiring more employees drives down the average age, average service and average pay. He identifies another factor in determining valuation results as the public sector mortality table, which was updated in 2020. Updating the improvement scale to MP-2020 decreased the liabilities by approximately \$93,000 as of January 1, 2021.

In reviewing the preliminary results of the Police and Firefighters' Retirement System, Michael Ribble explains that significant hiring in 2020 increased both the normal cost and accrued liability for the plan and generated market value returns of 7.4%. In applying the smoothing methodology and reserving some of the market value returns for future evaluations resulted in an actual return of 6.4%. Michael Ribble states that smoothing is done to avoid large fluctuations in city contributions over time. The unfunded amount of accrued liability increased from \$8.47 in 2020 to \$8.58 million in 2021.

Michael Ribble notes that the funding contribution required to fund the City's normal cost and 15-year amortization of UAL increased from \$1.56 million to \$1.78 million. The contribution

required as a percent of payroll increased from 19.5% to 19.7%; this is again an outcome of significant hiring. Michael Ribble asks the Board to consider performing an experience review of actuarial assumptions, changing the amortization period and/or methodology or resetting the asset valuation method for next year's evaluation.

Michael Ribble states that the unfunded actuarial accrued liability for the Police and Firefighters' Retirement System is \$8.58 million as of January 1, 2021. He says that the funded ratio, which indicates how much is in the fund versus how much should be in the fund, has improved slightly from 76.1% in 2020 to 76.5% in 2021. He explains that the City's practice has been to take the unfunded amount and rememorize it over a 15 year period every year. He says that this is called an open amortization method and recommends using a 15 year closed period for amortization to enable fully funding. Continuing to amortize will never close the fund gap.

Chairman Stutz asks if the 15 year amortization period is standard and Michael Ribble says that there is no standard period and it can be set an any year increment, but the 15 year period is average. Chairman Stutz asks if the close 15 year amortization impacts the funding or liability and Michael Ribble says it would not. Michael Ribble also shares that the closed 15 year approach would not change the amortization amount and that new amortization layers would be added for new gains or losses.

Chairman Stutz notes that in the May 14, 2019 board meeting, members voted to authorize Buck to change the amortization to closed from open. He asks Finance Director Keith Cole and Michael Ribble to investigate why the change wasn't made. Keith Cole and Michael Ribble promised to do so and provide an explanation by the next board meeting on October 19, 2021.

Non-Uniformed Employees Retirement System

Michael Ribble notes that as of January 1, 2021 within the Non-Uniformed Employees Retirement System, the number of participants who are retired stayed stable. There was a large decrease in the number of vested terminations from 22 in 2020 to 39 in 2021, as well as a large decrease in the number of active employees from 150 in 2020 to 122 in 2021.. As a result of these changes, payroll decreased by \$1.3 million. Benefit recipients dropped from 90 in 2020 to 68 in 2021.

In updating the mortality improvement scaled to MP-2020, Michael Ribble explains that the result was decreased liabilities by approximately \$141,000 as of January 2021. The decreased active employee population, which decreased the normal cost and the accrued liability for the plan, facilitated a decrease in the unfunded liability from \$6.92 million to \$3.65 million. The funding policy contribution decreased from \$1.2 million to \$832,667. The funded ratio increased from 77.4% in 2020 to 87.8% in 2021. The contribution required as a percentage of payroll decreased from 14.4% in 2020 to 11.7% in 2021.

Although the non-uniformed employee retirement system is facing lower unfunded liabilities than the uniform employee retirement plan, Michael Ribble recommends the same study and amortization considerations be applied.

Member Jennings asked how long these studies would take to complete and what the charge would be. Michael Ribble says that he will provide as estimate for the next meeting and that the typical timeline would be three months. He noted that the City has until March or April 2022 to complete the study before valuation occurs again.

Member Jennings made a motion to accept both reports. The motion was seconded by Member Deitzler and unanimously carried.

Restructuring Pension Fund Liability

In following up on Michael Ribble's reports, City Manager Rose states that in exploring options to finance the construction of a state-of-the-art police station without the property tax liability on the residents, this year's budget revealed the burden of the unfunded pension liability on the general fund. He asks the board to examine the feasibility of spreading out the catch-up expenses needed to bring the pension fund to 100% of funded over a longer period of time than what's been identified thus far. City Manager Rose recommends that the study identify the potential to smooth out costs over a longer period of time.

Chair Stutz asks for a motion to define the terms of the study. Member Jennings asks for clarification on the cost. Michael Ribble estimates that for the size and scope of the study, a fee of \$5,000. Member Jennings moved to authorize an actuarial study to be conducted in looking at a 20-, 25- and 30-year basis. The motion was seconded by Member Myers and unanimously carried.

Legal Update from Heather Mehta

Heather Mehta shares that no new legislation has been passed that impacts pensions at the state or federal level. When asked by Member Myers if there are state statutes that require certain smoothing approaches or funding coverage rates, she says there are none in Missouri.

Council Liaison's/City Manager's Comments

City Manager Rose introduces Gabby Macaluso as the Assistant City Manager and interim HR Manager. He provided an update on the Markets at Olive Development and the community visioning project. City Manager Rose also notes that meetings may be conducted in person and via Zoom due to the extension of the COVID-19 pandemic.

Other Matters

N/A

Next Meeting Date(s)

October 19, 2021 and January 18, 2022

Adjournment

The meeting adjourned at 7:41 p.m. with a motion by Member Myers, seconded by Member Jennings and passed with unanimous consent.