

Minutes of Meeting  
Policemen & Fire Employees' Retirement System  
September 23, 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, Juli Niemann, Steve McMahan, Holston Black, Frank Reedy and Councilman Terry Crow

Others in Attendance: Tom Mug – Pension Board Attorney  
Stephen Siepman – Actuary – Buck Consultants  
Keith Cole – Non-Uniformed Board Member  
Elaine Williams – Board Secretary  
Tina Charumilind – Treasurer

**Agenda**

The Board added to the agenda "Questions and Answers Regarding Benefit Statement from Buck Consultants." Mr. Siepman was in attendance and the questions with answers were handed out to the Board Members. The Board agreed that it was a good time to cover it. The agenda, with this addition, was approved.

**Chairman's Comments**

Chairman Carr asked members to speak into a microphone when talking, to provide a better recording.

Chairman Carr said that although we passed motions at our last meeting, they were being reviewed again tonight because there was more work to be done in addition to approve the draft documents. Chairman Carr suggested that to be more efficient, members and the boards overall could:

- Do research on a subject and think through what needs to be done before bringing it to the Board.
- Decide what you want and write down the motion so we do not struggle with wording in our meeting.
- Use committees to work out details of an idea.
- Take our time, postponing decisions if needed, to allow thoughtful consideration

**Minutes**

The July 22<sup>nd</sup> meeting minutes were not approved at this meeting. They will be approved at the October meeting. As was agreed in a prior meeting, that the minutes should be broken down to reflect a summary of concepts that were discussed at the meeting. The actual audio can always be heard on laserfiche.

### **Discussion of Errors on Employee Benefit Statement**

The Board reviewed the questions listed in the July 22, 2014 meeting and the answers were provided by Mr. Siepman. Mr. Siepman described how the error occurred. The pension benefit summaries for all active employees are done as a group, and the program looks at all employees prior to normal retirement age. The case where the error was found was for an active employee who was beyond normal retirement age. In this case the calculation is done manually, as an exception to the preparation of the group statements. The error was made in handling the manual or adjusted calculation. Mr. Siepman said that this process for active employees, past retirement age, has been now been improved. In addition, Mr. Siepman pointed out that for any actual retiree, the actual calculation is done specifically for that employee, not as an adjustment to the group estimates. He is confident that this type of error has not affected any actual retiree getting an incorrect retirement benefit. Finally, this error has not and did not affect pension estimates for employees below normal retirement age.

Having observed this error, members expressed interest in a way to double-check the actuarial math, so we can be confident in the accuracy. Mr. Siepman pointed out that the math is complex. Member Reedy added that actuarial math is subject to interpretation so different actuaries can provide different benefit calculations based on the same plan. Mr. Siepman concurred with that, and agreed to provide the Board with more insight into the actuarial math. If there are more specific questions about specific situations or specific employee pension benefit summaries, they can be submitted to Ms. Charumilind.

### **COLA Increase for Current Retirees and Beneficiaries**

Mr. Mug reviewed the document he drafted to define this change. The Board discussed the levels of increase that would be above and below the threshold which requires a study. The study will cost approximately \$3,000 and could be done in two weeks. Chairman Carr felt that if we are serious about sending something to City Council we should provide full and complete information, and not set ourselves up for City Council to send it back to the Board for more information. Councilman Crow continued saying that City Council likes complete information and we should expect it to come back to the Board if we knowingly stop short of complete information.

To help the discussion along, Chairman Carr summarized the arguments from our last meeting on this matter.

### **Reasons to Do the Increase Now**

- 1) Retirees have not had an increase since 2008
- 2) Inflation affects them.
- 3) We do not have a provision in the plan for automatic COLA
- 4) We are one of just a few municipalities in Missouri without automatic COLA
- 5) We see a few recipients getting very small checks.
- 6) Employees are getting a raise; retirees should too.

### **Reasons to Not Do it Now.**

- 1) We do not know the actual circumstances of those getting small checks.
- 2) We will be giving a raise to nearly 100 beneficiaries in order to help a few at the bottom.
- 3) We do not know the cost to the plan (City, taxpayer).
- 4) We do not have an obligation to protect beneficiaries from inflation.
- 5) We will be giving a raise to Police & Fire beneficiaries and not Non-uniformed, through no fault of the Non-Uniformed (just different funding level to plan).
- 6) We do not know how this benefit and benefits overall fit with our overall competitiveness in hiring employees.
- 7) This new cost will diminish the fund immediately, will be incorporated into the actuarial report in early 2015, and will be incorporated into the budget for 2016; as much as two years of expenses before the contribution is adjusted to reflect this change.

### **Reasons to Delay**

- 1) Do the study first; cost approximately \$3,000, and be completed in two weeks.
- 2) Wait until both plans are at 80% funding and we can do it for both groups.

Discussion focused on doing the study before sending to City Council, though possibly setting the raise at a level low enough to not require the study. Ms. Charumilind provided a record of a benefit increase request from 2010, which included the cost study. Member Reedy recommended the study, perhaps at levels above and below \$25, and we could then interpolate. Mr. Siepman said the study could be available in two weeks.

**Member McCarthy moved and Member Deken seconded a motion: That Buck Consultants perform a cost statement study for prospective increases in monthly benefits for all retirees and beneficiaries to the Police and Firefighter Retirement Fund in the amounts of \$20, \$30 and \$40 per month.**

The motion passed.

### **Purchase of Creditable Service- Missouri Revised Statutes - RSMo 105.691**

Chairman Carr recognized that this should apply to both Police & Fire and Non-Uniformed Boards. Mr. Mug was present at the meeting as well as most members for both boards but the meeting was not announced as a Non-Uniformed meeting. The Board agreed that details could be worked out at the meeting for the Police & Fire Board, and then review/approve it with both boards at the next meeting.

Mr. Mug stated that the Buy-in requirement (RSMO 105.691) is identical for both boards and he reviewed the right of a vested employee here to purchase equivalent service years from prior non-vested municipal/government employment. He reviewed the changes to the draft presented at the meeting that were handed out, due to Board member inputs, as compared to the drafts we have seen before. Regarding the question of an employee "gaming" the system, he doubts that there is much opportunity.

The Board discussed the potential for an employee to borrow against his 401(a) to fund the buy-in provision, and whether it would or should be allowed. Member McMahon distinguished

between whether an employee CAN do this and whether he SHOULD. This should not be our concern and the Board should not be advising employees on what to do. Board members should not be financial planners for employees, however the Board's job is to administer the Plan.

The Board discussed who pays the cost of determining the amount of the buy-in. Views were shared suggesting the Board pay; employee pay but get reimbursed if he or she does the buy-in; Board pays only one time, in case he or she asks multiple times; and the possibility of a spread sheet of approximate buy-in amounts (age/salary/time) before the employee addresses this. Mr. Siepman pointed out that this provision would start out as neutral to the plan, as we add an increased pension obligation to the plan, offset by the employee's buy-in. The risk is if the market dumps, the obligation remains, but the assets are diminished.

If an employee works here, leaves, and comes back within two years (for Police & Fire and one year for Non-Uniformed, according to Ms. Charumilind), a condition of re-employment is that he or she shall be required to deposit the amount of any withdrawal. Then, he or she would get those original years toward creditable service. The buy-in we are discussing must be from a different plan, according to Mr. Mug.

The Board agreed to stop short of including every detail of the implementation of the buy-in provision in the code and recommendation to City Council. The Board will work out details and rules after this is adopted, as is provided for in the amendment. This will avoid the need to go to City Council for each detail that needs adjusting as we implement.

Are we encouraging employees to take advantage of this State requirement? Councilman Crow feels that we are not encouraging, but complying with State law.

Member Deken asked how we should handle employees who have retired, but had inquired about this provision, and were eligible at the time. Mr. Mug replied that we could change our wording of the amendment to allow for such ex-employees. The Board agreed to this.

Vice Chairman Fillo presented the Missouri State form he investigated and asked Mr. Siepman if it will suffice as the implementation tool for the buy-in provision. It appears to cover everything. Mr. Siepman will evaluate it and we will use it until we determine we need something else.

#### **Cost for Plan Improvement and Actuarial Cost Statement**

The Board agreed that the draft would be incorporated for Both Boards, and that the form submitted in the packet could be used once evaluated by Mr. Siepman.

#### **Other Matters**

Member Niemann reminded us that information on the subject of Covered Call Writing, discussed in our July 22, 2014 meeting, is forthcoming.

**Next Meeting Date-October 28, 2014**

**Meeting adjourned at 7:40 p.m.**