

Minutes of Meeting
Board of Trustees Joint Meeting
Non-Uniformed and Policemen & Fire Employees' Retirement System
January 28, 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, Erich Haring, Terry Crow, Steve McMahon, Holston Black, Frank Reedy and Juli Niemann

Others in Attendance: Elaine Williams-Board Secretary
Tina Charumilind-Treasurer
Wiley Angell and Patty Boyd-FAMCO Representatives

Agenda

The January 28, 2014 agenda was approved.

Meeting Minutes

The October 22, 2013 minutes were approved

Chairman's Comments

Chairman Carr reminded the Board members that meetings are to start on time, and not a second later.

A question was raised if there was something that dictated in our Pension & Board Orientation Book who the Board treasurer could be. The code from the Pension Board Reference Book states that the Director of Finance will be the Treasurer for the Board.

Plan Documents and Motion

The Board gave FAMCO the guidance to change our asset allocation. This needed to be incorporated into our Statement of Policy and Objectives. The Board agreed to this amendment.

The Motion that the Statement of Policies and Objectives (Amended and Restated as of April 23, 2013) was amended to change page 4, Asset Allocation as follows:

From: Equity 50-70%
Fixed Income 30-50%
To: Equity 50-75%
Fixed Income 25-50%

Member Reedy approved the motion and Member McCarthy seconded for both boards.
The motion passed for both boards.

FAMCO Portfolio Review

Patty Boyd introduced Mr. Angell, CIO and the CEO of FAMCA who manages our portfolio and has experience with a large 500 company managing assets. Mr. Angell briefly went over the Police and Fire Pension Funds portfolio and presented the Board Members with a handout.

Summary

Point of reference, we moved from 65 to 70% in Equity. It was a big year for stock market. FAMCO added more than 2% latitude since the Board allowed them to do this. We have a longer term trend, record markets in turn of stock market and turnings. We are at the average. Disagree that stock market has over value but has strong market in 2013. We started it attractively priced. More latitude we took it to the max for a little bit of latitude, for some cash in the account.

Economic Outlook – The GDP increased economic growth. Quantitative easing had less of an impact than what was reported. This allowed FAMCO to focus on companies with stable earnings and is industry leaders. The debt service payments that are being used are less than what they have been in over 50 years. FAMCO likes consumer based stocks which did great in our portfolio.

Portfolio Strategy – For the types of stocks that we own are fairly consistent on what was discussed last year. It was recommended that only the order of the themes would change. Focus is on industry leader's stability and growth, high cash flow in dividends, and consumers. Dividend piece will be tweaked down in importance and the growth piece would be tweaked up in importance for stable growth companies.

Mr. Angell stated that our portfolio will gear towards moving back to the United States which generated a question of why he thought this was happening. Mr. Angell informed the Board that he believes dollar strength over the current cycle is why this is happening, and he wanted to be clear that this is where he believes the bond market will be.

Fixed Income – Barclays Aggregate Bond Index went up less than treasury bonds. Corporate bonds our perform treasury bonds. Interest rates grow, like ours, which caused us a 2% lose in our bonds. We must remember that bonds can lose money when interest rates raises. Bonds are safe, for safety, and diversification. Our bond portfolio is up by 1%.

Market Outlook – Showed a significant increase and projected stable earnings for growing companies. This speaks to valuation of high corporate bonds. Wiley believes this is something we can look at comfortably.

Inflation – With everything going on in the Federal Reserve, we have low inflation. Banks are just not lending.

Member Niemann asked Mr. Angell what are some of the things that keeps him awake at night regarding the economy. He stated the Blind side of Regulation. He said that we can regulate the economy, which is scary. It is considered more than tapering. Specifically-energy companies that are in the portfolio with big political thing. Environment, implication for companies, such as Health Care Industry is going thru a turnover. The Affordable Care Act is affecting small companies on how they hire new people is also a concern regarding unemployment and underemployment in terms of the overall economy.

Chairman Carr added that the time, the expense and effort that companies have to spend on complying and preparing reports to stay legal is of concern.

Mr. Angell mentioned JP Morgan headline-events that happened in crisis in 2008, Bear Sterns was penalized for wrong doing of the previous company. Being a large company that they are, they are the headliner for the biggest fines. Wiley stated that this was a reason why he avoided financials in our portfolio, which did hurt the portfolio last year. Member Niemann stated that playing with free money helps with that.

Board Member asked was it a fact that they were accumulating cash was helping to meet the regulatory standard. Mr. Angell stated it does cause a steeper yield for the future and historically, banks do well, and the short rates are artificially low, what they consider free money and can go out and buy bonds at higher yields that are more attractive.

Chairman Carr asked Mr. Angell to explain the Federal Reserve and Taper, how it plays a part in what we are thinking about.

Tapering buying 85 billion dollars a month in treasuries and mortgaged backed security in order to keep interest rates down and stimulate the economy. Chairman Carr said the other side of this is something like putting money in the system and taking bonds out. Mr. Angell states this creates the tapering and turmoil you see on CSNBC. He thinks the reports that we hear about are questionable on how much impact the tapering will have and it is one of the reasons he feels tapering will have less than a negative impact on their quarter end report. He believes the Board should focus on earning, the GDP growth of the US economy, and the earnings of the company we are investing in. We should feel comfortable that the companies we chose are worth investing in, in spite of easing, or non-easing or tapering or not.

Member McCarthy questioned the S&P 500 going up to 32%. Mr. Angell stated we have 26% in stock portfolio instead of 32 in the Russell 1000. All of this would be from financial stock. When he discussed this with us last year, we wanted to know how much we wanted to allocate to the stock market. This would allow him to allocate more to stock, but we will have better stocks. This meant that we would not have stocks that will go up that much. What we have are less volatile stocks. We should have more stock in the portfolio. We do have bonds with a negative return. Bottom line, the asset allocation helped with our stock choices. They will not go down as much.

Chairman Carr mentioned Mr. Angell was comparing 15% for the whole portfolio, which included the international account, and bonds. However, as compared in equity, page 9 of Police and Fire's portfolio, 24% versus the market of 33% is noted, and those bonds are a little bit of an anchor.

Training

Chairman Carr asked Ms. Charumilind to explain to the Board Members how the benefit for retirees is calculated. Two examples were given:

One for a person with a normal service retirement. The first example is only used if the employee retires at 65. When employee retirees at the right age, this benefit can be easily calculated, and is reflected on his annual plan summary.

Second example, benefit projection, based upon his annual plan summary, calculation formula and step changes. Break point increases, but the years of service has an impact on the calculation and if the employee stays longer, the benefit will increase. If employee retires early, the early retired factor will not be "1".

Chairman Carr stated that we need the factor and off-set, however, it cost the City \$260.00 each time we want the answer. We are reluctant to do our best to try and help someone. If we get wrong answer, in the wrong direction, then there is a liability for giving wrong information. Ms. Charumilind went over a few examples.

Chairman Carr pointed out the JCPER (Joint Committee on Public Employee Retirement)'s training that is in the Orientation Book. He asked the Board members to advise him on items and suggestions that for things they may feel need to be discussed or trained on in the future.

DISCUSSION

A question was asked if Buck Consultants has ever done any training in on how the formula actually works. Buck Consultants do not want to give us the formula because it is proprietary. If actuaries share what they know, they may feel that they are not needed anymore. The factor is what is actually in question, but no one really knows how the off-set balance really works. We do not want specifics, we would like to see the last table just to understand how the calculations are done.

Member Fillo would like Buck Consultants to come in and try to take us thru how the math is done down to the best that he can, with regard to Member McCarthy to get someone else that can. Bulk comes in once a year, when they bring the annual reports.

SUMMARY

We have never asked them to take us through process, and we need to know where the mystical numbers and offset numbers come from. For those interested in the math involved, we will all come up with an example on what we come up with and present it to him for explanation. The Board agreed to this training.

Other Matters

None

Adjournment

The meeting adjourned at 7:27 p.m.

Minutes of Meeting
Board of Trustees Non-Uniformed Retirement System
January 28, 2014

A meeting of the Board of trustees was called to order at 7:28 p.m. at Heman Park Community Center, 975 Pennsylvania Avenue, University City, MO 63130

Members in Attendance: James Carr, Matthew Fillo, Edward McCarthy, Juli Niemann, Holston Black, Keith Cole, Erich Haring, Terry Crow, Frank Reedy and Steve McMahon

Others in Attendance: Kevin Good and Tom Deken
Elaine Williams-Board Secretary
Tina Charumilind-Treasurer
Wiley Angell and Patty Boyd-FAMCO Representatives

Agenda

The January 28, 2014 agenda was approved.

Meeting Minutes

The October 22, 2013 minutes were approved

Chairman's Comments

Chairman Carr reminded the Board members that Meetings are to start on time, and not a second later.

Disbursements

Chairman Carr wanted to know why we withhold tax on the balance sheet. Ms. Charumilind stated it is a payroll tax withheld from retirees benefit payment.

A question was asked regarding the bookkeeping entry on the Income Statement, second quarter, item 95.50, page 1 of 2. Ms. Charumilind stated in the past, when we record investment funds from UMB or FAMCO, we take it as a margin cost, if it was lost. If it was gain, we take it as unrealized gain. Member McCarthy suggests that we should not use margin cost any more. It was determined that this was unrealized gain or loss.

Non-uniformed Plan, the City pays out \$100-80 thousand a month, any reason why, we have on December 31, 2013, \$1.362 million in our checking accounts. What do we need this much money for balance sheet, page one, cash on deposit. Ms. Charumilind stated cash is supposed to be transferred to General Fund. It is the timing difference, we did not transfer timely. The transfers are done at the end of December. So for the month of January, the cash will go down. A question was asked if the reconciling and actual adjustments are done as of June 30th. The response was yes. It was comment by the independent auditor that the book transfer between funds should be made more timely.

General discussion – The City does actual calculations for liability that we owe the pensioners, the retirees of our city, but we do not calculate the value of all the expenses, overhead and administrative value that we have in the pension, but it does not count all of the auditing and the professional fees, and over the years, they add up, and if we want to get ahead, we have to eventually put in more money.

Chairman Carr stated that he also had a concern about all the expenses that are in there, such as insurance expense, all transaction cost, and was going to ask Mr. Siepman if all those cost were included, and if he has some assumption of what are expenses are.

Ms. Charumilind stated at the end of the year, we provide them with asset and financial statements that include all the expenses, and it shows up on Bulk Consultants statements as well.

Chairman Carr stated that we pay future pension benefits and we try to tie that in with the performance of our portfolio. He says Ms. Charumilind does give him estimated expenses of the plan, and the actuary does include the estimated expenses of the plan in his actuary calculation. Chairman Carr wanted to come up with an example that can be reviewed and explained to the Board on how calculations are done.

Where do plan expenses come into the calculations is a question the Board members would like to know, and went unanswered.

A question was asked about an entry on the detailed ledger report, page 7 of 14 reflect some voided payments that were entered for Mary Jane Davis. Ms. Charumilind informed the Board that this person was in a nursing home, she was by herself, and we were not aware she had passed. We retrieved the money and got all the checks back and they were voided.

Other Matters

None

New Member Applications

Original packets were presented to board member Fillo, DOB (date of birth) and birth certificates were verified and approved, no votes were needed. Votes are only for retirement applications. LaRette Reese packet was approved.

Retirement Applications

Terry Strausbaugh packet was approved.

Normal retirement is 20 years of service or age of 65. Terry's packet needed approval. A motion to approve Terry Strausbaugh's retirement packet was made. Member Niemann moved and Member McCarthy seconded the motion. The motion passed.

Adjournment

The meeting adjourned at 7:42 p.m.

Minutes of Meeting
Board of Trustees Police & Fire Retirement System
January 28, 2014

A meeting of the Board of trustees was called to order at 7:43 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, Terry Crow, Steve McMahon, Julie Niemann, Holston Black and Frank Reedy

Others in Attendance: Keith Cole and Erich Haring
Elaine Williams-Board Secretary
Tina Charumilind-Treasurer
Mr. Wiley and Patty Boyd-FAMCO Representatives

Agenda

The January 28, 2014 agenda was approved.

Meeting Minutes

The October 22, 2013 minutes were approved

Chairman's Comments

Chairman Carr reminded the Board members that Meetings are to start on time, and not a second later.

Approval of Disbursements

Disbursements-approved

New Member Applications

Michael Prusinowski's packet was presented for information only.

Retirement Packets

Brian Bremer's packet was presented and approved.

Discussion

Chairman Carr wanted to use this as an example because it had an offset. Member Deken stated for Police and Fire, this could not be used because for uniformed, a person has to be 50 years of age and with 25 years of services to get 65% of benefit, and 30 years of service to get 70%.

Do the employees sign these to say this is what they are accepting? Ms. Charumilind stated they usually asked, and she lets them have a copy. Ms. Charumilind adds that nothing will change.

Plan says it was amended September 9, 2013, letters are still state 13 February 2006. Employees should not be confused. This was brought up last time. They still use the plan from 2006, they do not have updated plan. Ms. Charumilind states she just sent it. The calculations will not be the same. Ms. Charumilind reminded the Board that the change should not have any impact to the provision, and to our knowledge the plan provision did not change, just the wording. It helps people know what to look

for on a specific date. Chairman Carr asked if it would be reasonable to shoot this back, in this case to ask them to confirm that they have the updated plan and re-write the letter, it will not cost us \$260.00. They have the revised plan, per Ms. Charumilind, and that they should refer to the right document. It has the code number and section as well.

Member Fillo made a motion to give approval for the retirement benefit calculation of Brian Bremer contingent upon confirmation that bulk consultants, confirmed that they have used the plan that was amended thru September 9, 2013, and upon such confirmation, reissue the calculation letter, reflecting the use of the September 9, 2013 version of the plan. The motion passed.

Approve, contingent upon receiving a letter from John Henry Santos.

Discussion

On Officer Santos, according to Plan Section 2.62 .630 Section C-1, on page 36 Investment Accounts- states we have to get approval or request from the employee that he wants to have the 30% moved in. Is there any reason why a person would not want to the 30% in the 401 plan. There will be no off set balance. If he has not given us a statement, he is supposed to make a request or decision to get the offset, and we are not aware if he has made the selection, then he gets the 75 guarantee.

In Summary, why would a person put more money in ICMA, if they are not getting a 7% interest earnings? A decision has to be made by the employee, some may and some have already made the decision to make this decision. If a document needs to be signed, we need to get the document signed. Each person should theoretically make the decision themselves.

It is not an automatic requirement, it is an option. All who came into the plan after the fact will say they did not know they had an issue, especially for those who lost, signed it away, or went thru a divorce, and did not know they had a choice.

Chairman Carr suggested the board needs to talk to Mr. Mug, if Officer Santos makes the wrong decision, this can be an issue. This needs to be ironed out. There is no evidence of him signing anything now. We will get interpretation from Tom Mug that needs to be done sooner rather than later. Mr. Mug should be contacted.

Other Matters

Councilmember Crow, will be added on the agenda as Council Liaison. Member Niemann stated that the Board has really good money management advisors. Money manager-speaking circuit. Asset allocation, rigid that they have to have a 60/40 or 50/50 despite the fact that they are risking capital, you represent interest that is the way it has been for 30 years. Kudos to our guys.

Adjournment

The meeting adjourned at 8:17 p.m.

Next Meeting

April 22, 2014