

**Minutes of Meeting**  
Board of Trustees Joint Meeting  
Non-Uniformed and Policemen & Fire Employees' Retirement System  
April 23, 2013

A meeting of the Board of Trustees was called to order at 6:31 p.m. in the Council Chambers, 5<sup>th</sup> Floor of City Hall, 6801 Delmar Blvd., University City, MO 63130

Members in Attendance: James Carr, Matthew Filo, Edward McCarthy, Holston Black, Frank Reedy, Kevin Good, Juli Niemann, Keith Cole, Erich Haring, Steve McMahan, Thomas Deken

Members Excused: Terry Crow

Other in Attendance: Elaine Williams-Board Secretary  
Tina Charumilind – Treasurer  
Wiley Angell and Patty Boyd- FAMCO Representatives  
Steve Siepman – Buck Consultant  
Paulette Carr - Councilmember  
Lehman Walker – City Manager  
Patrick Wall – Library Director

**Minutes**

The January 29, 2013 meeting minutes were approved. A corrected copy of the November 27, 2012 minutes was included in the packet.

**Chairman's Comments**

Scheduled for the evening was an actuary review and a summary from a FAMCO representative due to a change of ownership of the company. Training materials on actuary concepts were provided. Investment training will continue in the July meeting.

**FAMCO Ownership**

Mr. Angell described the change of ownership and reviewed the continuation agreement. He was pleased to announce to the board that he was with an employee owned firm again. People who manage our portfolio and service our account would be owners of FAMCO. Ownership will be the same, with the exception of Charley Walbrandt. Member Fillo expressed his concern that ownership change would have an impact on the contract with Pension Boards. Mr. Angell confirmed that nothing in the FAMCO contract and the agreement with the Pension Boards will change. Member Niemann moved that both boards continue with FAMCO as the Boards' money manager after the planned change of ownership is completed. Member Cole seconded for the Non-Uniformed board and Member Deken seconded for the Police & Fire board. The motion passed. Chairman Carr will sign a copy and provide a copy to Ms. Charumilind for our file.

**Statement of Policies and Objectives**

The amended statement of policies and objectives and subordinate guidance agreement will give FAMCO some range when they are handling our portfolio.

Member Fillo moved for both plans, that the Boards adopts the Statement of Policies and Objectives, common to both Police & Fire and Non-Uniformed Boards, and portfolio guidance agreements with FAMCO dated April 23, 2013. Member Niemann seconded for both plans and the motion passed.

### **FAMCO Quarterly Report**

Portfolio review and presentation will be made at the next scheduled meeting. The First quarter report was handed out.

### **Actuarial Valuation Report**

Mr. Siepman – Buck Consultant, started by going through the actuarial valuation reports and summarized the investment performance of the P&F and Non-Uniformed Plan.

- Police & Fire Plan as of December 31, 2012, the market value net rate of return was 12.5%, while the target was 6.5%. The determination of actuarial value net rate of return was only 3.8%, as a result of five years smoothing (schedule D on page 4 and 5). Chairman Carr made a statement that because of this smoothing, we are being burdened by the collapse of 2008 which is still in the calculation. Next year, we can look forward to losing 2008. Then, the actuarial result will work in our favor.
- Schedule B shows the increase of unfunded accrued liability from \$4.7 million in 2012 to \$6.5 million in 2013. The contribution made by the City increased from \$1.008 million to \$1.129 million, and the funded percentage decreased from 84.9% to 79.9%, slightly below 80%.

Chairman Carr referred to the information that Mr. Siepman once provided at a previous City Council meeting regarding an assumption of 6.5%. This assumption is on the conservative end. Our plans are among the 17% most conservative in Missouri. Being relatively conservative in our estimates is a more sound plan. However, it requires putting more money in now to fund our future pension obligations.

Member McCarthy questioned transfers to ICMA listed in schedule C on page 3. Mr. Siepman stated that under the Police & Fire plan, participants who achieve 10 years of service become vested. At that point, a calculation is performed. The present value of 30% of the benefit is transferred to the defined contribution plan for each participant at ICMA-RC (International City Management Association-Retirement Corporation). The item is recorded as an expense because the money was taken out from the trust fund, and was transferred to ICMA.

Member McCarthy also stated that he believes the current plan that was amended in 2010 to repeal the plan in 2006 were not used in benefit calculation over the last three years. Mr. Siepman responded that he was not aware of any complete restatement that involves changes to the fundamental plan.

Mr. McCarthy stated if current benefit plan is not being used, then not only would this have impacted funds received and processed from employees over the last three years, but would also change actuary assumptions that we have now.

Mr. Siepman, wanted to double check to ensure there is nothing they are failing to realize about the plan provisions. Ms. Charumilind stated that she has discussed this matter with Mr. Salman (another actuary with Buck Consultant). Mr. Salman stated that the only change made in 2010 was to adopt the Municipal Code Chapter 2.62 to ordinance, to maintain plan qualification under the internal revenue code and to assure consistency, but there was no change to the provisions.

Mr. McCarthy confirmed the assumptions had changed, and he believes that it may or may not make a difference on actuary assumptions, but he knows it can make a difference on how calculations for benefits have been done over the last few years.

Mr. Siepman has requested that a copy of this amendment be provided to him.

- Non-Uniformed Plan This plan has the same key items and concepts as Police & Fire plan. The market value net rate of return was 7.25%, the snap shot of net unfunded accumulate plan benefit (schedule D – page 6) went down slightly in 2013 (from \$2.689 million to \$2.076 million). However, this plan does not have transfers to ICMA.

Overall, the plan's unfunded accrued liability was lower, and the funded percentage increased from 77.4% to 78.3%.

Member McCarthy questioned about the increase in cost of Library. Mr. Siepman responded that there were some corrections made due to the changes of the hire dates they had. Some employees were inadvertently enrolled into the plan when they were part-time, which was inaccurate. They were not aware of this. Correcting these dates caused an increase in the normal cost calculation for the plan and the actuarial value of the asset loss.

Mr. Siepman added that new accounting statements have been issued by the Governmental Accounting Standard Board, GASB No. 67 for Plans, and No. 68 for Sponsors. GASB No. 67 is for plans effective beginning after June 15, 2013. Plans will have to report the net pension liability on the balance sheet (the statement of net assets). The City will be required to report the liability, asset and the difference of underfunded amount. If the City had a benefit plan improvement, the cost related would be expensed in a single year so it will be reflected in the new financial reporting as well.

Currently GASB requires only disclosing this information as a footnote for all practical purposes. There is nothing wrong with this plan as long as you use the standard funding plan effectively with reasonable assumptions and amortization periods. We may proceed to report our expenses, in accordance with the way we are doing our funding. The only thing we would need to report is if we had a calculated funding of one (1) million dollars and we only made a contribution of \$800,000 dollars, which is less in the differential.

Mr. McCarthy asked if there were a set standard of what the interest rates we use should be until the others become effective.

Mr. Siepman stated he will work with us, as the City sees fit in terms of analyzing what these changes may be. It will depend on how well funded the plan is.

Member McCarthy questioned if the City lowers the amortization from 30- years, would expenses be increased. The answer was yes. He suggested that the amortization should be 20- year, instead of 30-year. Chairman Carr stated that we went from 15- year to 30- year in April 2010, but he did not recall what the argument was for making this change.

Member Fillo asked if the actuary table would be updated. Mr. Siepman responded that the results we are seeing now are used in the new table. If people live longer, or we expect them to live longer, we will pay them more.

Chairman Carr asked if we wanted to change our policy, can we count on him to keep us abreast and ahead of the curve? Keep us posted so that we are not getting hit by the amortization requirement and the new mortality table at the same time.

Mr. Siepman will provide Ms. Charumilind the amortization table to show what the cost would be, using the assumption for 30- year, 15 year, and a 10- year amortization assumption.

**By Laws**

Council changed the headcount for the boards. There were five citizens, and now there are seven. A motion to have the bylaws match this headcount was made. Member McCarthy moved for both boards, Member Deken seconded for the Police & Fire Board, and Member Cole seconded for the Non-Uniform Board the following:.

Due to the recent increase in citizen members from five to seven, the bylaws are changed to reflect as written here:

- 4.01 The Board shall consist of eleven (11) members
- 4.01C Seven (7) additional members
- 5.03 A quorum shall be five (5) voting members present

Mr. Fillo has volunteered to update the bylaws to reflect these changes. Chairman Carr added that the City Council liaison and City Manager are non-voting members.

**Next meeting dates**

July 23, 2013 and October 22, 2013

**Adjourned**

The meeting adjourned at 7:31 P.M.