

**Minutes of Meeting
Board of Trustees
Police & Fire Employees' Retirement Fund
April 27, 2010**

A meeting of the Board of Trustees was called to order at 9:02 p.m. in EOC room Basement Level, City Hall, 6801 Delmar.

Member in Attendance: Diane Sher, Anne Silverstein Jaime Mendez, Mark Winer, James Carr, Tom Deken, Fred Kramer.

Members Absent: None

Others in attendance: Janet Watson, Deputy City Mgr/Finance Dir (Treasurer)
Yolanda Williams, Human Resources Director (Secretary)
John Mulligan, City Attorney

Minutes

Member Carr moved to amend the Board Minutes of January 26, 2010 to remove the words “and carried” from the motions seconded by Members Sher and Carr under the Financial Management Diversification item. The motion was seconded by Member Mendez and carried.

Member Silverstein moved to approve the Board Minutes of January 26, 2010 as amended and the Board Minutes of March 23, 2010. The motion was seconded by Member Carr and carried.

Vouchers

The attached listing of vouchers was reviewed. Member Silverstein requested that the vouchers state Custodian fees instead of Trustees fees. Member Silverstein moved to authorize payment of these vouchers based on the information provided. The motion was seconded by Member Mendez and carried. Member Carr abstained.

Applications for Membership

Bryan Wiegers – Fire
Nicholas Gildehaus –Fire
Joseph Woodland –Police
Lucas Andert—Fire
Nathanial Davis—Fire

Applications for Retirement

None

Actuarial Report

Actuary Steve Siepman presented and reviewed the annual valuation highlighting the following:

- The results of the January 1, 2010 valuation reveal that the plan now has an Unfunded Accrued Liability of \$2,324,953.
- The liability increased from \$512,736 at January 1, 2009 to \$2,324,953 at January 1, 2010.

- The Board had recommended using a funding policy of a 15-year amortization of the unfunded accrued liability (or surplus) plus the normal cost. That cost is \$823,706 as of January 1, 2010, or \$877,247 with interest adjustment to December 31, 2010.
- This may be compared to the cost as of January 1, 2009 of \$641,933. The increase is chiefly due to the unfavorable returns on the actuarial value of assets.
- The return on market value during 2009 was very good (22.6%), but the smoothing of investment performances takes into account the poor market return during 2008.
- Because the actuarial value of assets is quite a bit higher than the market value at January 1, 2010, unless the future rate of return on market value exceeds 6.5%, the near-term annual costs will tend to increase.
- Assets are at \$23.3 million, which is up from \$20.3 million in 2009. Net unfunded—shortfall down to \$4 million from \$6.2 million last year due to the market.
- The Plan is 92% funded—down from 98% in 2009.

Member Sher asked if we could get the UAL restated utilizing a 30 year amortization.

Member Carr asked if there is a downside to changing to a 30 year amortization.

Mr. Siepman said not that he could identify.

Member Carr asked if authorities would be suspicious of changing too much.

Mr. Siepman said could be if you're doing it too much.

Member Mendez asked if the amortization is increased does the amount of money payable/liability increase.

Mr. Siepman said it is similar to a 15 year mortgage vs. a 30 year mortgage—longer time to pay.

Member Winer made a motion to have the UAL restated utilizing a 30 year amortization. The motion was seconded by Member Silverstein and carried.

Member Sher asked if Mr. Siepman would be available to educate Council.

Member Silverstein asked how much it would cost and if the plan should pay for Mr. Siepman to educate Council.

Mr. Siepman said he would do it for nothing.

Ms. Watson will advise Council of the opportunity.

Fiduciary Asset Management Report

The Board reviewed the investment advisors report and commented that the portfolio had gained some ground.

Benefit Statements

Janet advised the Board that Actuary Stephen Siepman met with employee reps just before this meeting (from 6:15pm – 7:00pm) to discuss employee concerns/questions about the employee benefit statements. In an attempt to simplify the police and fire benefit statements, Mr. Siepman and the employee reps agreed on some changes which will appear in the statements that employees will receive in the next month or so.

Plan Document Issues

Mr. Siepman explained that the IRS has not been hands-on with local government pension plans but they are now showing some interest. He commented that there is a 2 part process—a review of the plan documents followed by a determination letter.

Mr. Siepman stated if the Board elects not to file a determination letter, it's still a good time to take a look at the form and substance of the plan documents. The IRS could impose taxes on individual plan members, but would not if a determination letter is on file. The cost for the determination letter would be about \$1,000; there's an application fee of \$1,000. Buck Consultants' fee to review the ordinances and plan documents for necessary updates would cost about \$5,000 per plan. Review of the plan would take about one month. The filing deadline is January 31, 2011.

Member Winer made a motion to review plan documents for legal compliance and to seek bids from qualified experts to conduct this process and propose updates. The motion was seconded by Member Carr.

Review of Documents Distributed to Board Members (items requested at 3-23-10 meeting)

Member Carr asked about annual reporting to the State. Ms. Watson responded that the CAFR and Actuarial Valuation satisfy the reporting requirement.

Member Silverstein commented there should be specific language in the insurance policies as to who's insured under the policies.

Member Carr commented that account signatures on the Schwab account should be changed since Ms. Niemann is no longer a Board Member. He further commented that we should clarify titling/ownership of UMB.

Member Silverstein asked who looks at the UMB statements and what's done with the information.

Ms. Watson stated that the City records the information.

Member Sher said she talked to the Auditors and they are doing reconciliation—they confirm cash, and UMB and Schwab statements and reconcile with General Ledger. They confirm revenues and expenses; test process for defined benefits including new participants setup and distributions and look at existing benefits. They do not look at internal controls and the do not audit for deaths. They suggested a separate annual audit and many clients are going to that for better internal control quality and process. Ms. Watson said she checked and there are companies that audit for deaths.

Member Sher also talked to UMB and they are the custodian only, not trustees. They work at the direction of FAMCO. They do not track Schwab/EuroPacific investments. They have no involvement with the defined contribution plan.

Member Sher stated death claims annual review would cost about \$200.00 annually. Member Carr made a motion that the Board employs an agent at an estimated cost of \$200.00 annually to check that people receiving benefits are alive. The motion was seconded by member Silverstein and carried.

Financial Support for City Administration

Ms. Watson asked if the Board wants to consider allocating the cost of city staff time associated with administering the retirement system to the respective plan. Staff spends time on such tasks as investing, tracking funds, paying benefits and retirement tracking. Other cities outsource plan administration and expense it to the pension plan.

Member Sher suggested that Ms. Watson follow up at the next regular meeting with a breakdown of the estimated administration costs for the boards review.

Other Matters

Ms. Williams asked that the Board authorize reimbursing Member Sher for purchasing the Fiduciary 360 workbooks. Ms. Williams will bring the receipt to the next meeting for approval.

Member Sher suggested employing a fiduciary to review the defined contribution plan to compare our plan to other plans and how the plan is performing. Member Sher will follow up with additional information on this item.

Member Deken inquired about the transfer rate of 7% vs. the offset of 6.5%. Member Deken will work with Ms. Watson to follow up with the actuary to determine the cost to do a study of the effects of this change and report back to the board.

Member Carr handed out a draft revision to the Statement of Policies and Objectives.

Ms. Williams was asked to follow up with Mr. Mulligan on buying in to the pension plan.

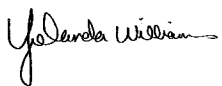
Next Meeting Dates

The Board agreed on the following meeting dates for 2010: July 27 and October 26.

Adjournment

Member Kramer moved to adjourn the meeting. The motion was seconded by Member Deken and carried. There being no further business, the meeting adjourned at 9:59 p.m.

Respectfully Submitted,



Yolanda Williams
Secretary