

**Minutes of Meeting
Board of Trustees
Police and Fire Employees' Retirement Fund
January 22, 2008**

A meeting of the Board of Trustees was called to order at 8:40 p.m. in the EOC Room, Basement Level, City Hall, 6801 Delmar.

Members in attendance: Julianne Niemann, Diane Sher, Jaime Mendez, Mark Winer, Tom Deken, Don Miner

Members absent: Anne Silverstein

Others in attendance: Yolanda Williams, Human Resources Director (Secretary)
Janet Watson, Deputy City Manager/Finance Director (Treasurer)
Larry Evans, Chief Accountant (finance dept.)

Minutes

Member Don Miner moved to approve the Board minutes of October 29, 2007. The motion was seconded by Member Jaime Mendez and carried.

Vouchers

The attached listing of vouchers was reviewed. Member Don Miner moved to authorize payment of these vouchers. The motion was seconded by Member Diane Sher and carried.

Applications for Membership

Michael Cox- Fire Dept.

Applications for Retirement

None

Fiduciary Asset Management Report

Mo Riad, of Fiduciary Asset Management (FAMCO), presented a report discussing an overview of the firm, investment strategies and the performance of plan funds. Mr. Riad also stated that currently the Euro Pacific Fund was not currently included in FAMCO's quarterly reports, but that it would be added in the future and performance would be tracked since the original investment.

Janet Watson brought up the following two investment recommendations by the Citizens Financial Advisory Task Force:

- 1) Reduce the interest rate risk for each of the plans by the following actions:
 - a. Adjust the investments in the fixed income portfolio to more closely match the interest rate sensitivity of the plan.
 - b. Consider a larger allocation to fixed income securities.
- 2) For the stock portion of the pension portfolio, consider using a passive management approach using low-fee index mutual funds or exchange traded funds. The funds invest in the desired asset classes to match the pension fund's

investment policy statement for domestic and international stocks instead of using active management with a small number of individual stocks as the current manager attempts. The expected benefits are lower management fees, returns that consistently match market returns, and lower risk with greater diversification.

There was much discussion regarding appropriate benchmarks for the plan. The following items will be evaluated and reported by FAMCO.

- 1) Euro Pacific - Investment details will be included in the next quarterly report.
- 2) Fixed Income – FAMCO will analyze the current fixed income investments to determine if there should be a different diversification.
- 3) Asset Allocation – FAMCO to provide support for the current allocation.
- 4) Benchmarks - FAMCO will review the current benchmarks to determine if they are the most appropriate benchmarks for the City’s pension funds taking into account the plan assumptions.
- 5) Equity – FAMCO to provide information as to how active management is better than using index funds. FAMCO will provide a detailed equity update after the second quarter due to changing markets.

Review & Amend Statement of Policies & Objectives

The Board discussed several changes to the Statement of Policies & Objectives. These include:

- Changing the Asset mix to include the Euro Pacific funds
- Deleting the term “Domestic” from allocation descriptions
- Changing the Equity Diversification section to include large cap international equities
- Changing the average duration of the portfolio to 50% - 125%
- Changing the objectives to take out references to the Wilshire Large Cap. Growth index
- Changing the actuarial interest rate assumption to 6.5%
- Changing the total return of an index composed as follows:
 - 60% - Standard & Poor’s 500 Stock Index
 - 40% - Lehman Brothers Aggregate Bond Index

The Board will approve these changes in final form at the next meeting.

Discussion to Explore Plan Amendments

Janet Watson brought the following recommendation to the Board from the Citizens Financial Advisory Task Force.

To stabilize the City’s long-term financial liability for the pension plans, the City should investigate the following ideas:

- a. Move the administration of the pension plans to Missouri Local Government Employees Retirement System (LAGERS).
- b. Partially convert plans to transition some employees, and most particularly *new* employees, to defined contribution plans.
- c. Convert completely to defined contribution plans.

The Board discussed the options available which includes investigating moving the

pension administration to LAGERS and the Board approved this investigation. Staff will report on this item at the next meeting.

The Board also discussed researching converting the entire plan to a defined contribution plan. The City will use ICMA Retirement Corporation for this research. As this item may take longer to research, a staff report will be forthcoming at the July meeting.

Pension Board of Trustee Training

Janet Watson brought up the new state requirement that mandates training for pension boards. There was general discussion and the Board determined that having guest speakers educate on various issues would meet the training requirements.

Other Matters

Tom Deken had two questions. He explained that currently retirees have an assumption in their pension benefit offset from their 401 account which assumes a 7% investment rate. He questioned whether current market rates justify the 7%. His second concern was a further understanding of the 10-year distribution. Originally, employees had not been aware that age and gender could cause a difference in the distribution. The Board explained that the distribution was determined actuarially and age and gender differences could cause different distribution amounts.

Next Meeting Date

To allow time for the City to receive and distribute the FAMCO quarterly reports in a timely manner to the Board members, the Board rescheduled the meetings for the remainder of 2008 to April 22, July 22 and October 21.

Adjournment

There being no further business, the meeting adjourned at 9:28 p.m.

Respectfully submitted,



Secretary