

**Minutes of Meeting  
Board of Trustees  
Non-Uniformed Employees' Retirement Fund  
April 27, 2010**

A meeting of the Board of Trustees was called to order at 7:05 p.m. in EOC room Basement Level, City Hall, 6801 Delmar.

Member in Attendance: Diane Sher, Anne Silverstein, Jaime Mendez, Mark Winer, James Carr, Donald Humphrey, Erich Haring

Members Absent: None

Others in attendance: Janet Watson, Deputy City Mgr/Finance Dir (Treasurer)  
Yolanda Williams, Human Resources Director (Secretary)  
Police Rep Tom Deken  
Fire Rep Fred Kramer  
Actuary Stephen Siepman

**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 Mendez 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 Humphrey and carried.

**Vouchers**

The attached listing of vouchers was reviewed. Member Winer 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**

Thomas Brushwood – Public Works  
Christopher Nesbitt – Public Works

**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 costs have increased for City since the prior valuation. The Library costs have decreased slightly, both in dollar terms and as a percentage of covered payroll.

- City costs increased due to an unfavorable asset return causing a substantial increase in the Unfunded Accrued Liability.
- Due to smoothing, the actuarial value of the assets is substantially greater than the market value of assets. Unless the rate of return on the market value of assets exceeds the 6.5% assumed rate, the annual costs will continue to increase over the next few years.
- Assets are at \$14.8 million, which is up from \$12 million in 2009. Net unfunded –shortfall down to \$2.2 million from \$4 million last year due to the market.
- The contribution to meet the city’s objectives of amortizing over 30 years was \$515,399 for 2009 and is up to \$546,148 for 2010.
- The Plan is currently 79.8% funded—down from 81% last year.

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.

Member Mendez commented that since the plan is under 80% no improvements should be made to the plan as it would increase costs to the plan to cover such improvements.

Member Carr moved to accept the actuarial valuation as presented. The motion was seconded by Member Humphrey and carried.

### **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 they 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 Humphrey commented that the breakpoint for the retirement benefit calculation increases \$1,000 each year; however, employees did not receive a COLA last year and will not receive one this year so pretty soon the breakpoint goes away for some employees. Member Humphrey suggested review of this shortcoming.

Member Sher made a motion to continue a process to move forward as a board to review all elements under purview in a reasonable amount of time in a methodical fashion. Member Humphrey seconded the motion.

Member Carr commented that the Board do the things that should be done and act in a fiduciary manner and then pull out the checklist.

Member Sher commented that the two are not at odds—not in conflict. The issues will be determined by the Board as a whole—she's just giving it a context, and each item of concern is in the workbook.

Member Carr said he will look at the list and pull out items of concerns.

Member Silverstein said the investment guidelines have been identified as a concern and she is uneasy with spinning wheels and not getting things done. She wants to do something substantive.

Member Mendez commented that this is the second or third meeting the Board has talked about managing the assets and he wants to move forward.

Member Carr stated they need a draft statement of policies and objectives and a list of things to accomplish on an annual basis. He further commented that the board could develop a scope and ask the investment managers for further suggestions. Member Carr handed out a draft revision to the Statement of Policies and Objectives.

The Board stated a meeting should be held between now and the regular meeting and July—perhaps early June—to review the bids for plan documents review.

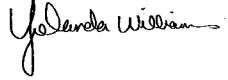
### **Next Meeting Dates**

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

**Adjournment**

Member Humphrey moved to adjourn the meeting. The motion was seconded by member Winer and carried. There being no further business, the meeting adjourned at 9:18 p.m.

Respectfully Submitted,

A handwritten signature in black ink that reads "Yolanda Williams". The signature is written in a cursive style with a long horizontal flourish at the end.

Yolanda Williams  
Secretary