

Minutes of Meeting
Board of Trustees Joint Meeting ✓
Non-Uniformed and Policemen & Fire Employees' Retirement System
October 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, Tom Deken, Keith Cole, Juli Niemann, Steve McMahon, Terry Crow, Holston Black and Frank Reedy *Patrick Wall*

Members Absent: Kevin Good

Others in Attendance: Tom Mug – Pension Boards Attorney
Patty Boyd and Wiley Angell – FAMCO Representatives
Elaine Williams – Board Secretary
Tina Charumilind – Treasurer

Agenda

Chairperson Carr recommended removing agenda number nine (9), Cash Flow Investigation (Member McCarthy) from the Joint meeting and placing it on the Non-Uniformed meeting between numbers two (2) and three (3). The Boards agreed to this agenda amendment. Vice Chairperson Fillo moved and Member McMahon seconded to approve the October 28, 2014 agenda as amended. The motion was approved.

Chairman's Comments

Chairperson Carr commented on an article from today's (10/28/14) Wall Street Journal regarding increased life expectancy. Longer lives mean more expense to a pension fund. The actuary includes these considerations in his calculations and this affects what we do here.

Minutes

Ms. Charumilind handed out a fresh set of minutes for prior meetings, with minor corrections to the ones we had received in our packets. Vice Chairperson Fillo moved and Member McCarthy seconded. The July 22, 2014 and September 28, 2014 minutes were approved unanimously.

FAMCO

Portfolio Review:

Pages 6, 8, 9 and 10 of the Police & Fire handout were discussed. Page 6 was revised as requested from members of the Board for clarity and now shows the performance levels, the combination of stocks and bonds, net of fees, which are a very important factor, and it also reflects our performance quarterly, yearly, and year to date. In a slow growth economy, the equity emphasis is on large stable companies with high dividends.

Discussion of Covered Call Writing Strategy:

Since 1997, FAMCO has been doing Covered Call (CC) strategies. In the past, the Boards have

asked for ideas and Mr. Angell has suggested the CC strategy. Mr. Angell detailed the concept of CC and what CC could do for our Pension Plans. Mr. Angell explained that the bottom line is that selling a CC gives someone else the right to buy a stock away, for a specific price, at a specific time. The premium paid with respect to the sale of the CC adds to overall performance of the asset and such income offsets downside movement in value of the asset.

We could reduce volatility by putting CC into the strategy. The returns for the CC strategy have been higher than the market for the period studied, with less volatility.

The CC strategy could allow us to move to a higher allocation in stocks, while increasing the income on those stocks through CC, which reduces the risk of the stocks involved.

Mr. Angell made a recommendation to allocate 25% to the CC strategy and to take that from stock, to allow us to be at 75% (25% covered call and 50% straight equity). He considered going up to 80% but wanted to start off the discussion with a level that was comfortable with the Board Members.

Member Niemann moved to change the Proposed Investment Allocation Guideline Asset Class for Equity from 50-75% to 25-80%, Covered Calls from 0-30%, and for Fixed Income from 25-50 to 20-50% for both boards.

Member McCarthy seconded. The motion passed for both Boards.

Council Liaison's Comment: None

Change to By Laws

Vice Chairperson Fillo moved and Member McCarthy seconded a motion to change the terminology for Section 6 of By-Laws, Officers, to amend as follows:

- *6.02D shall read: "Serve as trustee for the nominal ownership of fund assets, unless an alternative voting Board member is chosen by the Board." ; and*
- *6.03 shall read: "The Vice-Chairperson shall serve in the absence of the Chairperson; and shall serve as a second nominal owner, unless an alternate voting member is chosen by the Board."*

Discussion

Chairperson Carr explained that we need to get our accounts up to date with documentation. Accounts still show trustees from not one but two boards ago. We also will need new accounts for the CC strategy just discussed. Due to "risk management" policies in his industry and company, it is difficult to get approval for participation in activities such as these boards, and more difficult to get approval for having a name on an account, because such documents often require company approval. It will be easier to have the option of an alternate who is not subject to these approvals. The motion passed.

Approval of an alternative Board Member.

Member Reedy volunteered to serve as alternate board member. All board members were in

agreement.

Final Approval of Buy-in-Provision for Vested Employees for Both Plans:

Chairperson Carr reminded the members that we did not have this, it was required by the state of Missouri and it applies to both boards.

Member McCarthy made the following motion: "To comply with Missouri State Statutes (RSMo. 105.691), the Pension Boards recommend the City Council approve changes to the Pension Plans, to provide a purchase of service credit for any employee who is vested in University City plans and is not vested under any retirement plan established by the State of Missouri. The amount will be actuarially determined to match with the additional liability of the plans.

Vice Chairperson Fillo seconded for Non-Uniformed plan and Member Deken seconded for Police and Firefighter plan.

The amended Code Sections 2.62.225 and 2.64.225 were prepared by Tom Mug, Pension Boards Attorney.

The motion passed for both boards.

Other Matters

Chairperson Carr informed the Board Members that in accordance with the By Laws, officers are elected in January. His second board term ends August 2016. He will continue as Chairperson if the Boards want him to. If he is Chairperson, and out because of term, the Vice Chairperson will move into that position and the Boards will elect a new Vice Chairperson. He opened the opportunity up for anyone to step up to the plate.

Ms. Boyd presented and obtained signatures from Vice Chairperson Fillo and as an alternative, Member Reedy, to implement documentation for the CC strategy. Chairperson Carr signed a new Statement of Policy and Objectives, prepared by FAMCO, to reflect the CC strategy. Ms. Boyd will provide copies to the boards via Ms. Charumilind for distribution.

Next Meeting Dates

January 27, April 28, July 28, and October 27, 2015

Adjournment

The meeting adjourned at 7:40 p.m.

