

**POLICE AND FIREMEN'S RETIREMENT FUND  
CITY OF RICHMOND HEIGHTS,  
MISSOURI**

**REGULAR MEETING, March 9, 2015**

A regular meeting of the Board of Trustees of the Police and Firemen's Retirement Fund was held on Monday, March 9, 2015, commencing at 7:00 P.M in the first floor Conference Room at City Hall, 1330 S. Big Bend Boulevard. Present were Chairman Gerry Rohr, City Manager Amy Hamilton, Tim Day, and Ed Notter. Steve Holmes and Steve Kimker were necessarily absent. Scott Colbert, Doug Koester and John Bascio with Commerce Trust were also in attendance. The meeting was recorded by Sara Fox.

**CITIZEN COMMENTS**

None.

**NEW BUSINESS**

**Commerce Bank Trust Company Fund Presentation**

In order to expedite Messer's Colbert, Koester and Bascio attendance at the meeting the Commerce Trust presentation was presented first.

Scott Colbert and Doug Koester of Commerce Trust Company presented the Board with the Pension Fund Portfolio. The Fund is currently at \$15.9 Million.

Mr. Colbert presented his thoughts on the Portfolio performance, stating it is very high quality and is in good shape. The Board heard the discussion of the Portfolio's performance and the comparison that showed returns were consistent and showed solid performance for February to February. Mr. Colbert stated interest rate changes look to be on the horizon but low inflation in both domestic and global economies should keep rates from rising too quickly.

Mr. Colbert stated he liked having a nice dividend paying stocks will still pay well without going into the bond market; stocks being a better choice.

Economic indicators show solid growth, improving credit conditions, labor market shows good progress adding jobs better than economists' forecasts. Lower fuel costs and lower household debt show benefits. China slowdown issues could cause some market fluctuations but should not derail the US economy.

Fund has run well; over the last five years have been through safe, simple, straightforward investments.

(Let the record show the Commerce Trust Company Fixed Income Investment Management Report are attached as record of the March 9, 2015 meeting).

## **APPROVAL OF MINUTES**

**January 12, 2015**

Mr. Day moved, Ms. Hamilton seconded, a motion of approval of the minutes of the January 12, 2015 meeting. Carried unanimously.

## **ACCOUNTS PAYABLE**

Pat Villmer – Transcribing Retainer	\$ 50.00
James Dahm – Financial Review Services	\$ 1,250.00
City of RH Reimbursement – Dr. Bassman	\$ 645.00
McMahon Berger –Atty J. Richardson Fee	\$ 998.75

Mr. Day moved, Ms. Hamilton seconded, for the approval of the Accounts Payable as submitted, be received and filed. Carried unanimously.

## **FINANCIAL STATEMENTS**

Total Fund Assessment – Quarter ending December 31, 2014  
Quaker funds Quarterly Report at December 31, 2014  
AJO Funds December 2014 Statement  
AJO Funds January 2015 Statement  
Silchester International January 2015 Statement  
Silchester International January 2015 Group Trust Report  
Silchester International February 2015 Statement  
Vanguard December 2014 Total Return Chart  
Vanguard December 2015 Statement  
Vanguard January 2015 Total Return Chart  
Vanguard January 2015 Statement  
Vanguard February 2015 Statement

Mr. Day moved, Ms. Hamilton seconded, a motion that the financial statements as submitted, be received and filed. Carried unanimously.

## **OLD BUSINESS**

None.

## **NEW BUSINESS**

### **Joint Committee on Public Employee Retirement (JCPERs) 2015 Report**

The 2015 Joint Committee on Public Employee Retirement systems (JCPERs) was provided to the Board. Ms. Fox stated the report was favorable for Richmond Heights' Police & Fire Pension Plan. The Plan's Actuarial Value of Assets is ranked sixth in the state out of 90 Defined Benefit plans.

Mr. Rohr pointed out that the interest rate of return that the Plans were using has dropped since the last report.

Ms. Fox agreed and noted that the Median APR is 7.25%, down from 7.5% last year. Ms. Fox also stated that she and Ms. Hamilton attended training earlier in the year and it was recommended that 7.5% APR was probably too high, although an alternate APR was not suggested.

Mr. Day suggested that the Board use a lower APR but not to drop more than .5%, as this would result in a possible underfunded status.

Mr. Day suggested using an APR of 7.0%. Ms. Hamilton and Mr. Rohr agreed. Mr. Jones thought possibly using 6.0% to 6.5%.

Mr. Day pointed out that if the Plan's funded status was 90% or lower, the active employees would have to contribute an extra 1%.

Ms. Fox reviewed Ordinance 4839 adopted April 7, 2003 and confirmed that Mr. Day was correct.

The Board did not vote on an APR, since this decision is not necessary until July 2015.

#### **2015/16 FYE Benefit Increases**

Ms. Fox stated that she calculated the pre-1986 Plan year retiree's benefits at both 0% and 3%, and she calculated an increase to retirees that are receiving full social security benefits in Plan years 2006, 2003, 2000, & 1986.

Ms. Fox stated that she is providing the information for discussion purposes only, she is not requesting that the Board vote on benefits in excess of those authorized per Plan Documents. Ms. Fox stated she only provided the calculation as this has been an ongoing topic with the Board.

Mr. Jones stated that the social security benefits provided were insignificant (approximately 1.5% or less).

Ms. Fox provided the Board with benefit increase calculations by Plan year. Ms. Fox stated that benefit increases based on the Plan documents would cost \$1,515,006. She asked that the Board vote on a budget tonight so it will coincide with the City's budget cycle noting that if the Board voted at a later date to provide additional increases, then an addendum to the Budget would be voted on and adopted.

Mr. Day asked Ms. Fox if she was recommending that the Board vote on the pre-1986 retiree increase tonight and to vote at a later date on the other retirees that are receiving full social security benefits.

Ms. Fox clarified that the budget only includes Plan defined increases. An increase for the pre-1986 retirees is not included in the budget as presented. The pre-1986 Plan allows a COLA increase not a Step increase, and the City did not provide a COLA. Any other benefit would need to be discussed and voted upon by the Board.

#### **Vote on benefit increases**

Ms. Hamilton moved, Mr. Jones seconded, approval of 3% benefit increases as presented in the budget per the Plan documents, not including any additional increase to retirees in the Pre-1986 Plan or retirees that have reached full Social Security benefits in the Plan years 2006, 2003, 2000, and 1986. Carried unanimously.

The Board returned to this discussion after the Popular Annual Financial Report (PAFR) discussion.

Mr. Day stated that if we are going to give out an extra benefit increase he would like to have as much information as possible. To have the actuary prepare an annual update before the Board makes a decision to provide a benefit increase to the pre-1986 retirees and retirees that are receiving full social security benefits in Plan years 2006, 2003, 2000, & 1986. Mr. Day recommended that the actuary be solicited to quote a fee to perform this annual update.

Mr. Rohr asked what is the cap to these annual increases and at what point does the Board stop giving retirees an increase when their theoretical benefit reaches 85%, 90%, + of their base salary when they retired.

Mr. Day stated if the Plan is funded at 109% then it is overfunded. The Plan is not set up to be significantly overfunded. The overage should be given back to the people as a benefit increase, an increase to death benefits, or some other benefit.

Ms. Hamilton suggested that it could be given back to residents as a lower tax rate.

Mr. Jones agreed with Mr. Rohr's comment that the retiree's benefits should have a cap.

Mr. Day stated that the Board is not here to decide how much a retiree should make after they retire. The Board is here to administer the Plan, to keep it as close to 100% funded as possible.

Mr. Jones asked what the current property tax rate is. Ms. Fox stated it is \$0.32. Mr. Jones suggested possibly giving back to the residents by reducing this tax rate.

Mr. Day stated that all of these factors should be included in the conversation.

Ms. Hamilton stated that the Board is Trustee of the Plan and as such, the Board should be administering the Plan. If the Board wants to make a change in the Plan then that would need to be discussed and presented to the Council for adoption.

Ms. Hamilton stated that realizing that the pre-1986 retiree increase is very small at ~\$395 to ~\$1,000 per retiree, ~\$2,900 in total. If providing the extra increase to the pre-1986 retirees is what precipitated the discussion to provide an extra increase to retirees in the 1986 and thereafter Plans that are no longer eligible because they are receiving full social security benefits, then the Board should stop giving the pre-1986 retirees a Step increase. The Board as Trustees should only be giving what the Plans allow by ordinance. If the Plan is rich (overfunded) then we should either change the Plan benefits or reduce the revenues (tax rate charged to residents).

Mr. Rohr agreed.

Mr. Day asked what is meant by “changing of the Plan benefits”.

Mr. Rohr stated it would be a specific Plan change rather than just deciding to give an extra increase on a yearly basis.

Ms. Hamilton agreed and stated who gave us the right to give an extra increase.

Mr. Day stated it was previously given to the pre-1986 retirees, so the door has been opened. Mr. Day asked if the Board wanted to close the door now.

Mr. Rohr stated that this is an option on the table.

Ms. Hamilton stated that she is leaning that way now.

Mr. Day stated that he doesn't think it is right for the pre-1986 retirees to stop getting a Step increase. The Board has been giving it to them all along. There are only four retirees left in this group.

Ms. Hamilton concurred that there are only four pre-1986 retirees and they are making a pittance. She is considering this option (no extra increases) now since it is being used as justification to provide extra benefits to other retirees not receiving increases.

Mr. Rohr stated that soon there will be a lot of retirees making money off of the Plan.

Ms. Hamilton agreed, stating there are baby boomers nearing retirement.

Mr. Day asked Ms. Fox how many retirements she is predicting over the next few years.

Ms. Fox stated there are two anticipated in each of the 2014/15, 2015/16, and 2016/17 Fiscal Years and one in the 2017/18 Fiscal Year, meaning there are seven retiring over the next three years.

Ms. Fox stated that the actuary does figure these retirements when they perform the bi-annual actuary valuation. She also stated that in years past the extra increase provided to

the pre-1986 retirees was not included in the information provided to the actuary as the amount was so small it was inadvertently overlooked. This information will be provided for the next valuation and how many years it has previously been provided.

Mr. Jones asked what is the feeling of the active employees?

Mr. Rohr stated there are some employees who understand that if they retire at their 30<sup>th</sup> anniversary, while they are still young, they will receive benefit increases for a few years before they reach full social security age. Mr. Rohr noted that there are also some employees that are retiring at their full social security age, so the Pension benefit that they will receive at retirement will not receive a Step increase per the Plan documents. These employees think that it is unfair that they will not receiving an increase. Mr. Rohr stated that these are the employees will be making the most off the Plan in the history of the Pension.

Ms. Hamilton stated that social security benefits may eventually be gone.

Mr. Rohr stated that employees who retire after 30 years and do receive annual increases until their full social security benefit age will technically receive more than 70% of their base salary at retirement over time. The employees that retire after they have reached their full social security age will not receive increases and their benefits will remain at 70% of their base salary.

Mr. Day stated that is back to this discussion.

Mr. Rohr stated that if the Board starts voting to give these Step increases to the pre-1986 retirees making approximately \$14,000 in benefits then it is just pennies. If you give a Step increase to the retirees in the 1986 and thereafter Plans who are making approximately \$55,000, \$65,000, or more in benefits, then this process should be reviewed by an actuary as a defined benefit.

Mr. Day stated that is why he recommended the actuary be contacted to receive a quote to perform this service to review. Mr. Day stated it is his understanding that Mr. Rohr's and Ms. Hamilton's opinions are now that a benefit increase should not be given at all.

Mr. Rohr clarified that in his opinion the benefit should not be given out on a whim at an annual vote. It should be a "change to the benefit increase" in the Plan document.

Ms. Fox pointed out that if it is a change to the Plan document, then retirees in the 2006 Plan and prior would not be eligible for this change.

Ms. Hamilton agreed that it becomes a new Plan year as of the date it is voted on and adopted. (i.e., Retirees in the 2006 and earlier Plan years would be grandfathered into the Plan year that was in effect when they retired. Only active employees that retire after the Plan change is adopted would be eligible for the changes.)

Mr. Day agreed, Plan changes are forward looking.

Mr. Rohr stated that there will always be someone that isn't happy no matter what direction the Board takes. He recommended that the Board be prepared for this possibility.

Ms. Hamilton asked if the Board could be sued for giving out money that is not defined in the Plan documents, as the Board isn't authorized to spend it.

Mr. Day asked if she meant the pre-1986 retirees?

Ms. Hamilton clarified that possibly 15 years in the future if active employees wanted a change in the Plan defined benefits and it was not possible because the Board gave out non-defined increases then couldn't those employees sue the Board for not effectively administering the Plan documents.

Ms. Hamilton stated that the LAGERS benefits for non-uniform employees is significantly lower than the Police & Fire Pension benefits.

Mr. Jones stated that the active starting salary for a Police Officer is high at approximately \$49,900.

Mr. Day asked where Richmond Heights' starting salary was in comparison to the City of Clayton.

Mr. Rohr and Ms. Hamilton said the starting salary was slightly higher than Clayton's. Ms. Hamilton mentioned that Richmond Heights is in the median.

Mr. Jones stated that the City of Brentwood is higher.

Mr. Rohr stated that Brentwood's Police force is smaller than Richmond Heights' force.

### **2015/16 Proposed P&F Pension Budget**

Ms. Fox explained that the budget projections included a 3% Step increase for eligible retirees per the Plan documents. It does not include a 3% Step for the Pre-1986 Plan retirees. There are also 2 new retirees projected for mid-June 2015, 2 new retirees projected for each of the 2015/16 FY and 2016/17 FY, and one new retiree projected for the 2016/17 FY. Additionally, the contribution refund for the mid-June 2015 retirements were included in both the 2014/15 FY projected expenses and the 2015/16 FY budget. Since these retirements are so close to the end of the 2014/15 FY the contribution refunds may cross the fiscal year. This is the only expense that is included in both fiscal years.

Ms. Fox asked that if the Board was comfortable with these projects, to please adopt the Budget for inclusion on the City's web site and documents.

Ms. Hamilton moved Mr. Jones seconded approval of the budget as prepared and presented. Carried unanimously.

#### **Draft Police & Fire Pension Popular Annual Financial Report (PAFR)**

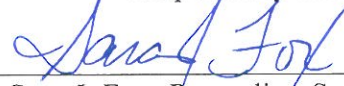
Ms. Fox explained that the City, for the 2012/13 FY and 2013/14 FY, prepared a PAFR for other city funds. Ms. Fox prepared the Draft Pension PAFR as last year Mr. Day suggested that the Pension may want to prepare a similar report. Ms. Fox stated she was not recommending that the Board actually publish this report; she created it so the Board could see what a Pension PAFR might look like. Ms. Fox stated that in her opinion the target audience for this report would likely only be active Police & Fire uniformed employees and P&F Pension Retirees.

The Board decided not to publish a Pension PAFR report at this time.

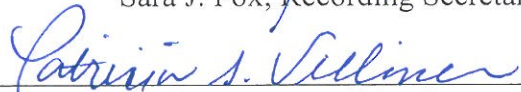
#### **ADJOURNMENT**

With no further business to come before the meeting, at approximately 8:08 P.M., Mr. Day moved, Ms. Hamilton seconded, a motion that the meeting be adjourned. Carried unanimously.

Respectfully submitted,



Sara J. Fox, Recording Secretary



Patricia S. Villmer, Transcribing Secretary