

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

REGULAR MEETING, April 11, 2016

A regular meeting of the Board of Trustees of the Police and Firemen's Retirement Fund was held on Monday, April 11, 2016, 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, Steve Holmes, Ed Notter, Mike Jones (7:07 p.m.), and Steve Kimker (7:08 p.m.). Scott Colbert, Doug Koester and John Bascio with Commerce Trust. Retirees Rick Zweifel and Rick Vilcek 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 Messrs. Colbert, Koester and Bascio attendance at the meeting the Commerce Trust presentation was moved to the opening of meeting. Scott Colbert and Doug Koester of Commerce Trust Company presented the Board with the Pension Fund Portfolio. The Fund is currently at \$16.7 Million.

Mr. Colbert stated the Fund has grown nicely over the years and reviewed the portfolio vs. the benchmark, stating the Fund fell just short of the benchmark. It was noted weak global growth is keeping rates low, but the country as a whole, with refinancing going on, and still not over-borrowing, is building a nice financial foundation. Lower rates stay, we are better off, but in the long, long run, it is hard to be investor at these rates as you will not earn a lot of money in the bond market. Stock market would also stay the same.

Commerce reviewed the portfolio's quality investments vs. the benchmark comparison, stating some have slipped from initial purchase, but slow decline. Citing the former crisis, it was noted the outstanding owed loans are now being paid down or settled.

Mr. Colbert stated there is likely at least one rate hike ahead, but with a late quarter loss of momentum, and first quarter indication of still being slow growth, the Feds may not make a change immediately. 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. The low inflation and ongoing slack in the domestic and global economies should keep rates from rising too quickly.

The Board discussed the wisdom of changing investment choices i.e., lowering the quality, but concluded it was not worth the risk as gains would not be significant.

Commerce suggested perhaps 10% change of portfolio choices could be considered, but not much of a gain to do so.

Commerce, when asked about financial forecast, stated fundamentals of employment, wages, and lower energy prices and wealth should continue to support sustained growth of approximately 2%-2.5% in 2016. The Bond returns about 2% plus or minus a bit, stocks will return low single digits most likely.

(Let the record show the Commerce Trust Company Fixed Income Investment Management Report is attached as record of the April 11, 2016 meeting).

APPROVAL OF MINUTES

November 18, 2015

Mr. Kimker moved, Ms. Hamilton seconded, a motion of approval of the minutes of the November 18, 2015 meeting. Carried unanimously.

January 11, 2016

Mr. Kimker moved, Ms. Hamilton seconded, a motion of approval of the minutes of the January 11, 2016 meeting. Carried unanimously.

ACCOUNTS PAYABLE

Pat Villmer – Transcribing Retainer	\$ 75.00
James Dahm – Financial Review Services	\$ 1,250.00
Office Max – Hanging File Folders	\$ 11.03
Metropolitan Orthopedics – Ryan Pitts, MD	\$ 1,162.00

Ms. Hamilton moved, Mr. Kimker 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, 2015
AJO Funds December 2015 Statement
AJO Funds January 2016 Statement
AJO Funds February 2016 Statement
Commerce Trust funds Quarterly Report at December 31, 2015
Commerce Trust funds Quarterly Report at March 31, 2016
Quaker funds Quarterly Report at December 31, 2015
Silchester International December 2015 Group Trust Report
Silchester International January 2016 Statement
Silchester International January 2016 Group Trust Report
Silchester International February 2016 Statement
Silchester International February 2016 TFT Statement
Silchester International February 2016 Group Trust Report
Silchester International March 2016 TFT Statement
Silchester International March 2016 Group Trust Report

Vanguard December 2015 Total Return Chart
Vanguard January 2016 Statement
Vanguard January 2016 Total Return Chart
Vanguard February 2016 Statement
Vanguard February 2016 Total Return Chart
Vanguard March 2016 Statement

Ms. Hamilton moved, Mr. Holmes seconded, for the approval of the Financial Statements as submitted, be received and filed. Carried unanimously.

OLD BUSINESS

None.

NEW BUSINESS

Police Sargent Wm. Bill Comer Application for Retirement

Police Sargent William “Bill” Comer will retire his position with the City of Richmond Heights Police Department on April 24, 2016. Mr. Comer’s application was provided to the Board on March 18 in compliance with Section 200.310 of the Plan. Mr. Comer’s benefits will begin on April 25, his first day of retirement. His estimated monthly benefits will be \$4,106.83; this will be adjusted after his final pay. Mr. Comer’s estimated lump sum contributions to the Plan will be \$44,985. These contributions will be refunded at Mr. Comer’s direction.

Mr. Kimker moved, Mr. Holmes seconded, a motion to receive and file Mr. Comer’s application as submitted. Carried unanimously.

Police Detective C. Mike Brown Application for Retirement

Police Detective Claud Mike Brown has submitted his Application for Regular Retirement Benefits. Mr. Brown’s last day with the Police Department is still to be determined. He plans to retire in either June or July 2016.

Mr. Brown has filed his application for the Board's review early to ensure the Board would receive the application within the 30 to 90 day notification period per Section 200.310 of the Plan. In the event the Board does not meet in May, Mr. Brown’s application will still comply with this notification period.

Mr. Brown’s estimated monthly benefits will be in the \$4,100 to \$4,150 range, depending on his retirement date. His estimated lump sum contribution refund will be approximately \$43,500. The calculations will be updated when a definitive date is known.

Mr. Holmes moved, Ms. Hamilton seconded, a motion to receive and file Mr. Brown’s application as submitted. Carried unanimously.

**New Hires:
Police Officer Amy Loftus
Police Officer Adam Shook**

Mr. Rohr reported that the Richmond Heights Police Department hired two new Police Officers Amy Loftus and Adam Shook. The start date for both employees was February 29th.

Ms. Loftus is relocating from Cleveland Heights, Ohio, where she had worked for over four years as a Police Officer for the City of Cleveland Heights. Mr. Rohr stated that Ms. Loftus also has a law degree.

Mr. Shook comes from the City of St. Louis where he has worked for just over five years in the Excise Division as a Liquor Control Officer. Prior to that, he served as a Deputy Marshal for the Office of the City Marshall.

Fire Chief Kerry Hogan Application for Retirement

Fire Chief Kerry Hogan has submitted his Application for Regular Retirement Benefits. Mr. Hogan's last day with the Fire Department is still to be determined. He plans to retire in either June or July 2016.

Mr. Hogan has filed his application for the Board's review early to ensure the Board would receive the application within the 30 to 90 day notification period per Section 200.310 of the Plan. In the event the Board does not meet in May, Mr. Hogan's application will still comply with this notification period.

Mr. Hogan's estimated monthly benefits will be in the \$6,150 to \$6,230 range, depending on his retirement date. His estimated lump sum contribution refund will be approximately \$65,400. The calculations will be updated when a definitive date is known.

Mr. Kimker moved, Mr. Holmes seconded, a motion to receive and file Mr. Hogan's application as submitted. Carried unanimously.

**Firefighter/Paramedic Suzanne Stahlman
Contribution Refund**

Firefighter/Paramedic Suzanne Stahlman has submitted her resignation from the City's Fire department.

Mr. Kimker stated that Ms. Stahlman has accepted a position with the City of Maplewood Fire Department.

Ms. Stahlman's contribution refund is approximately \$6,984.12. A final calculation will be performed after her final paycheck is prepared.

2016/17 FYE Benefit Increases

Ms. Fox stated that the City provided a 3% market adjustment step at July 1, 2015. Since the market adjustment increased the steps on the Pay Plan, she considered it to be a Cost of Living Adjustment (COLA). Based on this, she calculated a 3% COLA increase in benefits for eligible employees in all Plan years effective July 1, 2016.

Ms. Fox stated there is a certain group of people who are receiving full social security benefits who will not receive a benefit increase from the Fund.

Mr. Day asked how many retirees are not eligible for a benefit increase. Mr. Kimker reviewed the benefit increase report provided to the Board. Mr. Kimker stated there are 14 people on the report that will not be receiving a benefit increase.

Ms. Fox stated Social Security would not be giving out any increases this year. Ms. Fox stated that when she prepared the proposed budget for this year, she did factor in a 3% increase for eligible retirees.

The Board discussed the difference between the Plan groups and benefits received. Ms. Fox stated the pre-1986 group only receives COLA increases not step increases.

Ms. Hamilton stated as far as increases are concerned, some cities are doing COLA increases and some non-COLA increases, basically 1%-3% maybe split between merit increase and COLA.

Mr. Zweifel stated, he heard the actuary had calculated past valuations with all retirees receiving an annual COLA even if they are receiving full social security benefits and because of this error the Plan is now 130% funded. The Board concurred with the funded level at 126% not 130%. Mr. Zweifel then stated, as he understood, the Board had considered giving all retirees the 3% COLA, and asked if this was correct.

Mr. Rohr stated that he did suggest that all retirees receive the 3% COLA since the actuary did include this in the valuation and by removing it the Plan became overfunded. The suggestion was not well received by the Board.

Mr. Zweifel asked if the consideration to give retirees receiving full social security benefits was off the table. Mr. Rohr stated that was his understanding.

Mr. Vilcek, stated the Pre-1986 Plan included a COLA increase annually, the retirement benefits in this Plan were a low Patrol Man low Private salary. When the Board updated the Plan in 1986 retirement benefits were changed to the last 3 year average salary of the retiree. Since this was a higher base retirement benefit it was decided to limit the COLA increase to end when the retiree reached the full social security benefit age. Additionally, the social security benefits reduced the benefits paid by the Plan. It was understood that the COLA increases received by the retirees would be coming from social security. It was the understanding of the Board back in 1986 that retirees would receive some type of COLA whether it came from social security or the Plan. Now social security isn't

proving COLA or very little. The Board did not envision that social security would not be giving a COLA in the future.

Mr. Vilcek stated he hoped the Board would look at this history and consider granting some increases to those that are beyond their full age social security, despite the Pension ordinance wording. Mr. Vilcek stated when he was a member of the Board; the Board did exercise its right as minister of the Fund, to give the pre-1986 non-COLA increases because their benefits were so low.

Mr. Rohr stated that he understood why the Board decided not to vote on a COLA increase for retirees receiving full social security benefits because the actuary cost is high at \$10 million. Mr. Rohr asked Mr. Vilcek to clarify what he was requesting; to give these retirees a COLA from time to time.

Mr. Vilcek stated that if funds were available that the Board consider granting a COLA benefit to all retirees including those receiving full social security benefits. Mr. Vilcek stated that with a Fund that is over-funded at 126%, it could grant something to these Plan members.

Mr. Day stated that, per Commerce Trust's presentation, the Plan will not even receive a 3% increase on investments this year. The 126% funded level was at a past point in time. The value today is likely lower since the past year has not been kind.

Mr. Day asked if Mr. Vilcek wants the Board to change the base pension benefit or just give a one-time bonus.

Mr. Vilcek stated he felt the change should be on the base pay.

Mr. Holmes stated the Plan's performance has been meeting its actuarial duty, but not because we out-earned the market, it was due to our residents' contribution through property tax and noted the actual amount of funding is less now with market conditions. Mr. Holmes stated he likes the cushion, a benefit increase would be acceptable if there was a "business" reason to provide this benefit, i.e. recruitment & retention tool. A benefit increase shouldn't be given just because we are nice guys.

Mr. Holmes suggested if there was a compelling reason, the Board should consider an increase.

Mr. Kimker stated that other costs are going up for retirees, insurance, medicine, etc. and while basics do not seem to cost more, other expenses are hitting them.

Mr. Rohr stated the current employees have a different view of the benefit being given. Mr. Kimker agreed.

Mr. Day stated that the large cushion isn't that large. The expectation rate is coming down next year and the true actuary valuation will be closer to 110% not 130%.

Mr. Rohr agreed and has explained that the Board's goal is to reduce the assumed APR down to 6.5% on the next actuary review.

The Board discussed the taxation of residents noting it is in line with the assessment amount as approved by voters and despite being taxed below the allowable ceiling, the assessment revenue is funding the Pension due to increased property values. The Board indicated this could go the other way should property values decrease.

Mr. Notter asked if the Pension was consistently "over-funded".

Ms. Hamilton stated the assumptions do change, and in fact, the Fund was below 100% at one time, and noted the Plan makes changes as well.

Mr. Holmes agreed, stating that when he began working on the Board, the Fund was dramatically underfunded, but that has been corrected, and we have always put in more than the actuary valuation requires.

Ms. Hamilton stated that housing values did go to the negative after the housing crisis and commercial values decreased as well.

Mr. Vilcek clarified, from an earlier discussion, the Board does not legally have the right to give a one-time increase per the MO Constitution. The increase would have to be a COLA increase.

Mr. Holmes asked what the economic magnitude would be if the Board granted a 3% COLA to retirees receiving full social security benefits.

Ms. Fox stated, per a prior conversation with the actuary, the actuary cost would be \$12 million based on the longevity table.

Mr. Holmes moved, Mr. Kimker seconded, approval of the 3% COLA benefit increase to eligible retirees as prepared and presented in the detail report. Carried unanimously.

NOTE: Ms. Fox calculated that the cost of the COLA increase to the Plan is \$160,800 for eligible employees, including the new retirees.

Retiree Ronald Murray Reimbursement of Overpaid Benefits

Mr. Rohr provided an update on Retiree Ronald Murray's reimbursement of approximately \$9,000 to the Plan. Mr. Rohr stated Mr. Murray had been notified by letter of the fact he had been overpaid benefits by receiving both Fund benefits and Social Security benefits. Mr. Murray was given the calculations that would reduce his pension benefits by his monthly Social Security benefits and additionally will see a reduction in his pension benefits by a certain amount over the course of 18 months to pay back the Pension Fund what he owed.

The Board indicated Mr. Murray has contacted legal assistance in disputing the deduction to his Pension benefits. The attorney has sent a letter to Chairman Gerry Rohr on March 24, 2016 on behalf of Mr. Murray. This letter, a summary of the situation, and a copy of the Pre-1986 Plan were forwarded to Board Attorney Joshua Richardson on April 6, 2016.

The Board is in agreement to go by what the Plan says and pursue the reimbursement. The Board agreed it is necessary to retain legal assistance to answer Mr. Murray's attorney.

2016/2017 Proposed P&F Pension Budget

Ms. Fox explained that the 2016/17 Fiscal Year (FY) budget projections included a 3% Market Adjustment for all retirees including new retirees Messrs. Comer, Brown, and Hogan, plus one additional new retiree projected for mid-Fiscal Year. The Budget also includes six contribution refunds, for four former employees that have left their contributions in the Plan, and two possible refunds based on prior FYs averages. A budget has been included for estimated legal services regarding Retiree Ronald Murray's case.

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

Silchester Funds Transfer to the Tobacco Free Trust

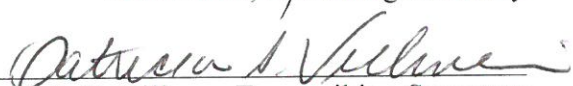
Mr. Rohr stated that in order for the Plan to continue to invest with Silchester, the Plan's invested funds needed to be transferred from the Group Trust (GT) Fund to the Tobacco Free (TF) Trust. This transfer is precipitated by a minimum investment of \$150 million in compliance with cross trading securities under the Statutory Exemption instead of the Individual Exemption. The Plan has approximately \$9.6 million invested with Silchester. The TF Trust is virtually identical to the GT Fund. It was in the Plan's best interest to continue to invest with Silchester so the funds were moved to the TF Trust.

ADJOURNMENT

With no further business to come before the meeting, at approximately 8:53 P.M., Mr. Kimker moved, Mr. Day seconded, a motion that the meeting be adjourned. Carried unanimously.

Respectfully submitted,


Sara J. Fox, Recording Secretary


Patricia S. Villmer, Transcribing Secretary