

FIREFIGHTERS' RETIREMENT PLAN
MINUTES
BOARD OF TRUSTEES MEETING
THURSDAY, JULY 30, 2015
1:30 PM
1114 MARKET STREET, ST. LOUIS, MO 63101
CARNAHAN COURTHOUSE, ROOM 746

Regular Meeting pursuant to call.

St. Louis, Missouri; July 30, 2015

Trustees met at 1:30 p.m.

Meeting Held In: Room 746, Carnahan Building

Present: John Costello, Chairman; Paul Payne, James Sondermann, John Zakibe, Bridget Halquist, Trustees; and Richard Frank, Secretary.

Also present were Steve McElhaney, Cheiron; Barry Bryant, Dahab and Associates; Denise Droege and Rich Olliges, Employees Retirement System; Janice Fairless and Andy Leeser, Firefighters' Retirement Plan; Mallori Allen, Alexis Silsbe and Christine Hodzic, City Counselor's Office.

Excused: Michael Pollihan and Jeff Glorioso, Trustees.

Chairman Costello called the meeting to order at 1:33 p.m.

Noting new Trustee Ms. Halquist had yet to arrive, Chairman Costello commented she is most likely looking for a parking spot.

Chairman Costello presented the minutes of the June 25, 2015 meeting.

Trustee Zakibe moved to approve the minutes of June 25, 2015 as presented. Motion seconded by Trustee Payne and carried by a 4-0 vote of all Trustees present.

Chairman Costello recognized Mrs. Fairless who presented one DROP allowance for Firefighter Derrick Walker to the BOT for approval (Attachment 1).

Trustee Zakibe moved to approve the DROP allowance as presented. Motion seconded by Trustee Payne and carried by a 4-0 vote of all Trustees present.

Trustee Halquist joined the meeting at this point in time.

Chairman Costello introduced the new Trustee Bridget Halquist. Ms. Halquist apologized for being late as she was indeed searching for a parking spot. Trustee Halquist shared her background with the BOT. She works in Clayton at the law firm of Sher Corwin Winters, LLC. Her practice is primarily labor and employment law. The Trustees and staff introduced themselves to Ms. Halquist and welcomed her to the BOT.

Chairman Costello recognized Steve McElhaney from Cheiron who presented a letter to the Board regarding the Actuarial Valuation as of October 1, 2014 (Attachment 2). Mr. McElhaney explained that Cheiron routinely conducts internal audits of their valuations. This was the first year Cheiron provided a valuation for the FRP and the internal auditor discovered two areas which result in a significant impact to the valuation. First, the spousal death benefits were prorated between FRP and FRS in error, incorrectly mirroring percentage of benefits paid as each Plan paid to the retiree. The second error in the original valuation is that it did not consider liabilities for members participating in the DROP program. These items add up to a \$1.4 million shortage on the City contribution line of the audit.

Mr. McElhaney proposed two ways to address this issue. First option is to redo this year's valuation and submit a revised actuarial valuation for 2014. The second option is to wait until 2015 and to have this flow into next year's valuation.

As this is a significant error, Mr. Frank expressed concern that the internal audit was not conducted prior to releasing the valuation to the Board. Trustee Payne explained the reason plans are required to submit actuarial valuations by March is so the City can budget properly. The City has allocated the amount in the original valuation (\$7,435,635) to be paid to the FRP. The City's budget came out July 1, 2015 and at this point in time there is not an additional \$1.4 million available to move to the FRP during this fiscal year.

The actuary pointed out in reviewing the FRS valuation additional line items appear for active members for Death & Disability benefits. This point was clarified with the FRS verbally; however, this sparked debate on whether or not the FRS gave the FRP the correct amount for 2013 if a portion of their valuation included amounts they do not pay.

After further discussion, Trustee Payne moved to have any shortfall from the 2014 Valuation flow through and be accounted for in the 2015 Valuation; and further, to have the FRP Secretary officially request confirmation from the FRS that the Settlement amount of the 2013 City Contribution did take into account the FRP Paying all future Death and Disability of Active Firefighters and retirees since Feb. 1, 2013. Motion seconded by Chairman Costello and carried by a 5-0 vote of all Trustees present.

Chairman Costello then recognized Mr. McElhaney for an update on Service Transfer/Buy Requests. Mr. McElhaney has received 32 requests thus far and with FRP being a unique plan there are some anomalies to the requests. In one instance, a 44 year old Firefighter requested to purchase 4 years of service and Cheiron determined the cost to be \$66,000; however, of that \$66,000 only \$17,000 is the increase in the FRP benefit with the rest (\$49,000) being the increase in the FRS benefit. He explained that even though the FRS plan is frozen there is a cost impact to FRS because FRS would potentially be paying out benefits sooner than it would otherwise. FRP staff has spoken to the FRS regarding this matter and has also discussed the issues with FRP's legal counsel. The FRP staff has proposed that the FRP Actuary (Cheiron) determine the full value of the added service as well as the cost impact to each plan (FRP & FRS). The FRP would collect the full amount and then send the FRS its share. The FRS is bringing this up at their next BOT meeting on August 5, 2015. If the FRS BOT agrees with this approach, the FRP actuary will meet with the FRS actuary and if the FRS actuary agrees with Cheiron's methodology for determining the cost impact then this solution should be viable.

At this point, Counselor Allen shared the new Transfer of Creditable Service Uniform Agreement which would now reflect both the FRP & the FRS (Attachment 4). She also pointed out two very minor changes in the Policy for Purchase of Service in FRP (Attachment 5).

Trustee Payne moved to approve the changes in the Policy for Purchase of Service in the Firefighters' Retirement Plan of St. Louis and the Transfer of Creditable Service Uniform Agreement as presented. Motion seconded by Chairman Costello and carried by a 5-0 vote of all Trustees present.

Chairman Costello recognized Barry Bryant from Dahab. Mr. Bryant presented the June 2015 Performance Report. The end of June showed a very large amount of cash on hand which was due to the fact we were adjusting our asset allocation and the quarter ended on a day we had cash. Mr. Bryant advised the Plan not to keep cash. Some cash on hand was due to the Great Lakes contract not being ready once the funds

were liquidated to move to Great Lakes. Mr. Bryant stressed it is critical to have contracts in place so as to not to lose money. In this instance the market went down but it could have just as easily gone up. Total performance for the quarter was -0.3%. The majority of that reflects a loss in bonds. At any given point in time you can expect bond prices to be negative. That is what we are seeing in the past quarter. Discussion followed on real estate. Real estate seems to be seeing substantial increases. Mr. Bryant agreed real estate can provide good returns; however, to get into real estate you must be a large qualified investor with \$25 million plus to invest. It will be several years before the Plan is there. The other concern with real estate is the liquidity, as it can often take some time to liquidate real estate.

Trustee Zakibe moved to accept the Investment Advisor's Performance Report as presented. Motion seconded by Trustee Payne and approved by a 5-0 vote of all Trustees present.

Chairman Costello called on Mrs. Fairless who requested the BOT review the new SMID contract with Great Lakes Advisors (Attachment 8). Legal added a "term" clause (five-year term) and such clauses are usually not seen in contracts for money managers. Normally such contracts just have a termination clause whereby the contract can be terminated on 30 day notice. It was noted that the Employees Retirement System does not include a "term" clause in money manager agreements. Mr. Bryant advised he is not opposed to such language but does not see it as necessary.

Trustee Payne moved to approve the Great Lakes contract without the five-year term clause. Motion seconded by Trustee Zakibe and approved by a 5-0 vote of all Trustees present.

Chairman Costello called for a motion to go into closed session pursuant to Section 610.021 RsMo (Roll Call Vote) to discuss legal matters and matters of physical and mental health of members.

Trustee Zakibe moved to go into closed session. Motion seconded by Trustee Payne and carried by a 5-0 roll call vote of all Trustees present.

Closed session minutes are confidential and recorded separately.

Return from closed session at 3:01 p.m.

Chairman Costello called on Mrs. Fairless who presented one Disability-Line of Duty Benefit for Firefighter David Barga (Attachment 9). This benefit is subject to annual medical review and tax return review as prescribed in the ordinance.

Trustee Payne moved to approve the Disability-Line of Duty Pension Benefit as presented. Motion seconded by Chairman Costello and approved by a 5-0 vote of all Trustees present.

Chairman Costello called for other business.

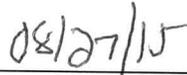
There being no further business, Chairman Costello called for a motion to adjourn the meeting.

Trustee Zakibe moved to adjourn the meeting. The motion was seconded by Chairman Costello and carried by a 5-0 vote of all Trustees present.

Meeting adjourned at 3:15 p.m.



Richard R. Frank, Secretary



Date