

FIREFIGHTERS' RETIREMENT PLAN
MINUTES
BOARD OF TRUSTEES MEETING
THURSDAY, FEBRUARY 25, 2016
1:30 PM
1114 MARKET STREET, ST. LOUIS, MO 63101
CARNAHAN COURTHOUSE
ROOM 746

Regular Meeting pursuant to call.

St. Louis, Missouri; February 25, 2016

Trustees met at 1:30 p.m.

Meeting Held In: Room 746, Carnahan Building

Present: John Costello, Chairman; Paul Payne, Bridget Halquist, Beverly Fitzsimmons, Michael Pollihan, Jeffery Glorioso and James Sondermann, Trustees.

Excused: Richard Frank, Secretary

Also present: Also present were Steve Roth, Dahab and Associates; Janice Fairless and Andy Leeser, Firefighters' Retirement Plan; Alexis Silsbe and Mallori Allen, City Counselor's Office; Denise Droege, Employees Retirement System; Robert Offerman and Michelle Barefield, Hochschild Bloom & Company, LLP.

Chairman Costello called the meeting to order at 1:31 p.m.

Chairman Costello presented the minutes of the regular meeting of January 28, 2016.

Trustee Glorioso moved to approve the minutes of January 28, 2016, as presented. Motion seconded by Trustee Pollihan and carried by a 6-0 vote of all Trustees present.

Chairman Costello called on and introduced the FRP auditors, Robert (“Bob”) Offerman and Michelle Barefield, from Hochschild, Bloom & Company LLP to present the Auditor’s Report to the Board of Trustees (Attachment 1), and the FY 2015 Audit (Attachment 2).

At this point, Trustee Payne, not previously in attendance, entered the meeting.

The Plan has grown from \$9.91 million to \$29.78. Additions to net position for FY 2015 were \$9.42 million, down from \$11.68 in FYE 2014. The additions were comprised of \$7.44 in employer contributions and \$2.8 in member contributions. The Plan’s investments lost \$843,000 making the overall return -4.22%. GASB 67 information was included in the report this year as now required by law. At FYE the Plan had 2 active investment managers: Great Lakes Advisors, LLC, and Garcia Hamilton. The auditor’s recommended the BOT develop a policy requiring annual certification of eligibility for surviving spouses. The Auditors also recommended the BOT adopt a Asset Capitalization Policy. The auditors noted one error in the Custodial Statement, three bonds which were purchased in September of 2015 did not settle until October of 2015 and those should have been accounted for in the September 30, 2015 investment inventory. Trustee Fitzsimmons pointed out that Note J on Page 28 needs to be amended as FRP only reimburses the City for employee fringe benefits for Plan employees, and not for salaries and payroll taxes.

Trustee Payne moved to accept the Auditor’s Report and FY 2015 Audit with amendment as noted above. Motion seconded by Trustee Pollihan and carried by a 7-0 vote.

Next, Chairman Costello presented the FY 2014 Audit Report relative to GASB 68 (Attachment 3) prepared by Hochschild, Bloom & Company LLP, and called on Bob Offerman who reviewed the report with the Board.

Trustee Glorioso moved to accept the FY 2014 Audit Report relative to GASB 68 as presented. Motion seconded by Trustee Payne and carried by a 7-0 vote.

The Board then briefly discussed the FY GASB 67/68 Report prepared by the FRP actuary, Cheiron (Attachment 4) which had been distributed to the Board at last month’s meeting.

Trustee Glorioso moved to accept the GASB 67/68 report as of September 30, 2015 as prepared by Cheiron. Motion seconded

by Trustee Pollihan and carried by a 7-0 vote.

Chairman Costello called on Steve Roth from Dahab. The first agenda item covered by Dahab was the Performance review for December 2015 (Attachment 5). The key highlights from the market summary was 4th Qtr GDP was a mild 0.7%; unemployment fell to 5%; and the CPI increased at a tame 0.7% year over year. Domestic equities made up 3rd quarter losses. Growth outperformed value across all cap sizes. Large cap outperformed mid and small caps. The US dollar strengthened relative to the Euro. As the US dollar strengthens foreign currency drops because it takes more foreign currency to purchase US products. Oil is starting to rebound and right now just riding the wave. At year end our investments were valued at \$31,112,511. In reviewing the asset allocation, the Great Lakes account (SMID) is at 19%. Mr. Roth advised the Board it may be time to rebalance assets to bring this up to the 20% allocation. Vanguard is 1.3% over target allocation and Garcia Hamilton (Fixed) is .2% over allocation. The Vanguard FTSE (international equity) is at 28.9%.

Trustee Glorioso moved to allocate all new contributions earmarked for investments to the Great Lakes account to bring it up to the 20% target for SMID. Motion seconded by Trustee Payne and carried by a vote of 7-0.

Trustee Glorioso moved to accept the December 2015 quarterly performance review report as presented. Motion seconded by Trustee Payne and carried by a vote of 7-0.

Mr. Roth's next presentation was on Real Estate (Attachment 6). He explained that once a Plan has at least \$25 million in investments they are considered a qualified investor and thus eligible to purchase real estate investments. The pros of real estate include greater appreciation potential, inflation protection, and higher yields. Real estate is very much like bonds in that real estate consists primarily of income plus some underlying appreciation. On the down side real estate is economic sensitive, may not be very liquid, and has higher fees. In a down market you may even find your investment locked up. Mr. Roth went on to describe various investment vehicles: direct ownership, commingled trust/closed-end fund, commingled trust/open-end fund, publicly traded REIT. He then discussed the main types of property: industrial, multi-family, office, retail, hotels, and self-storage. Dahab recommends investing in large buildings in tier 1 markets like LA, San Francisco or New York that are 85%-90% leased and do not need much repair. Historic returns have been between 5-10%. On average institutional portfolios are 8.8% invested in real estate. The Board discussed the presentation.

Mr. Roth explained since the Board now has some knowledge of real estate Dahab can run asset allocations to include real estate and present a report at the next BOT meeting.

Chairman Costello then called on Mr. Leeser who shared with the Board the Investment fees for quarter ending December 31, 2015 (Attachment 7). Questions came up as to the reason for this in that the BOT has already approved the fee structure in selecting the Investment Manager. Mrs. Droege stated it is common practice to share the fees with the BOT at ERS meetings so the Board can see exactly how much is being paid to the money managers and advised the staff to present quarterly investment fees at FRP meetings.

Trustee Pollihan moved to accept the report of investment fees for quarter ending December 31, 2015. Motion seconded by Trustee Glorioso and carried by a vote of 7-0.

Chairman Costello then presented a letter from Cheiron regarding interest rate for DROP accounts (Attachment 8) and called for discussion. Counselor Allen stated that the proposed new options for DROP are not available until CS BB280 is approved. Since the board bill is not effective as of today, we have to pay DROP interest in accordance with the current ordinance governing the Plan. Therefore, the -4% investment portfolio return as certified by the Plan's actuary is the interest rate for DROP accounts for fiscal year end 2015.

Trustee Pollihan moved to accept the -4% interest rate for DROP accounts for fiscal year end 2015 as certified by Cheiron. Motion seconded by Trustee Glorioso and carried by a 7-0 vote.

Chairman Costello called for the presentation of DROP Allowances. Mrs. Fairless presented three DROP allowances for Captains Leindecker, Sturma, and Lemmon (Attachment 9).

Trustee Payne moved to approve the DROP allowances as presented. Motion seconded by Trustee Pollihan and carried by a 7-0 vote.

Chairman Costello asked Mrs. Fairless to present the Pension allowances. Mrs. Fairless presented one pension allowance which includes the Sick Leave Refund and refund of Contributions for Firefighter Rhonda Lee (Attachment 10).

Trustee Glorioso moved to approve the Pension allowance including Sick leave benefit and Refund of Contributions as presented. Motion seconded by Trustee Pollihan and carried by a vote of 7-0.

Chairman Costello called on Mrs. Fairless who requested the Board rescind the Disability-Other allowance for Firefighter Mark Wroblewski in favor of a regular pension allowance (Attachment 11). Mrs. Fairless explained upon outlining Firefighter Wroblewski's pension options an error was made. Firefighter Wroblewski was given the choice of either regular retirement at approximately \$2,313.80 per month or a disability pension of 90% of that amount. Mr. Wroblewski was erroneously led to believe the disability allowance of 90% of the full retirement was "tax free". However, when he received his year-end 1099R statement, Firefighter Wroblewski discovered his disability payments were coded as "taxable". We have since learned through further research that only Disability 100% - Line of Duty is tax-free. While the staff did advise seeking tax advice to confirm the best option, staff admits to providing inaccurate information when presenting the pension options. In accordance with the Plan, the recommendation would be to go back to May 2015, the point in time the error was made, and correct it from that point forward. Mrs. Fairless did go to the last FRS meeting and alerted the FRS Board of the error. The FRS Board wants the FRP Board to determine their course of action and present the information to the FRS. To change the pension to a regular pension impacts the FRS since FRS would be responsible to pay the larger portion of Firefighter Wroblewski's pension (estimated \$2094.23 paid by FRS & \$219.63 paid by FRP) Ideally, the FRS will agree to pay from May 2015 going forward, and agree to reimburse the FRP for the overpayment made during this time period. Plus Firefighter Wroblewski would have earned approximately \$1941.83 in additional benefits for period May 2015 thru February 2016. (Note these numbers must be finalized once FRS provides their payment amount to FRP.) Following discussion, the BOT agreed that Firefighter Wroblewski should be given the opportunity to rescind his election of a Disability-Other benefit in favor of a regular pension allowance. The BOT also agreed that FRP staff should work with the FRS to determine and coordinate amounts payable from FRS and FRP, with the goal being to make Firefighter Wroblewski whole. Mrs. Fairless said Firefighter Wroblewski will continue to receive his disability pension for March while numbers are finalized.

Trustee Pollihan moved to approve rescinding Firefighter Wroblewski's Disability-Other benefit and changing it to a regular pension retroactive to May 29, 2015. Motion seconded by Trustee Glorioso and carried by a vote of 7-0.

Chairman Costello called on Mrs. Fairless for approval of the revised pension allowances due to the additional sick leave settlement. Mrs. Fairless asked to lay this matter over to the next meeting as the calculations are not finalized.

Chairman Costello called on Mrs. Fairless who presented the final signed Resolution on Retirement Benefits” for members who die with no survivor pension benefits payable, which includes the changes approved at last month’s meeting (Attachment 12). The Board had approved adding language to clarify that if no beneficiary has been named or the designated beneficiary is deceased the refund of contributions would be payable to the firefighter’s estate.

Chairman Costello called on Mrs. Fairless for an update on service purchase agreement. Mrs. Fairless stated the FRP actuary (Cheiron) responded on February 16 to the FRS actuary and are waiting for a reply, so no further updates at this time. Chairman Costello agreed to talk to FRS Director Brewer regarding this issue.

Chairman Costello then called on Mrs. Fairless for an update on the Vocational Rehab Counselor’s Contract. Mrs. Fairless stated Mrs. Browning reviewed the proposed contract and sent it back with a couple of minor changes. We hope to finalize the contract soon.

Chairman Costello called for an update on the OFI contract. Counselor Allen advised she is making progress and we are very close to finalizing the contract. Mrs. Fairless asked if the Board would like staff to set up an account with Northern Trust for OFI. Northern Trust would not hold the assets, but we would send funds to the OFI account with Northern Trust, and then the funds would be forwarded to OFI. The advantage of setting up this shadow account is that Northern Trust would track all transactions. Until the fund reaches \$50 million there is no fee for this arrangement. Once over \$50 million the fee is \$1500.

Trustee Glorioso moved to set up the shadow account with Northern Trust, to be reviewed prior to any Northern Trust fees being charged. Motion seconded by Trustee Pollihan and carried by a vote of 7-0.

The Chairman called on Mrs. Fairless for an update on Training Opportunities (Attachment 13). Mrs. Fairless reminded everyone of MAPERS and the NAPPA Conferences coming up. She asked anyone planning on attending to please let her know sooner rather than later so we can get better rooms and flights. She also shared some information on the NCPERS annual Conference & Exhibition in San Diego in May. Light discussion followed on the upcoming training opportunities.

Chairman Costello called on Counselor Allen for an update on the Technical Corrections Bill. Prior to today’s Board meeting, IceMiller & Mrs. Fairless presented a PowerPoint summarizing the changes to the Board of Alderman Committee. In a lively debate local 73’s Attorney, Kara Krawzik, rebutted the need for some of the changes to the Committee. There are several areas the Union and legal counsel are

discussing, including how to include the tuition reimbursement for Disability-Line of Duty able to do another job, and questions on several areas which IceMiller addressed in response to requests from Counselor Garvin earlier in the week (Attachment 14).

The Union and legal counsel agreed to meet again next week to attempt to work out differences prior to the next meeting.

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 Pollihan moved to go into closed session. Motion seconded by Trustee Glorioso and carried by a 7-0 roll call vote of all Trustees present.

Closed session minutes are confidential and recorded separately.

Return from closed session at 3:58 p.m.

Chairman Costello called for a motion regarding items discussed in closed session.

Trustee Glorioso motioned to change Firefighter Carl Roy's disability benefit from Disability-Other to Line of Duty-100% disabled (which is 75% of his AFC) retroactive to November 6, 2015. Motion seconded by Trustee Pollihan and carried unanimously by a 7-0 vote of all Trustees present.

Chairman Costello called for any further business.

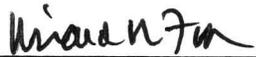
Trustee Glorioso requested staff notify the BOT as soon as possible either by e-mail, phone calls, or if need be scheduling a special session if issues come up surrounding additional billing of contractors. This has come up over concern regarding Mary Beth Braitman's recent trip to St. Louis to present the Technical Correction's bill to the Board of Alderman Committee Meeting. Mrs. Fairless explained Mrs. Braitman is charging no travel time only her hourly fee for meetings from 9 am till 12:30 pm, her hotel room approximately \$149 and mileage. Legal added IceMiller's contract with the FRP was for work related to the tax qualification including IRS filings and responses. The trip to St. Louis to get the BB through and ultimately passed by the Board could be

considered under that umbrella. Staff knows not to authorize any additional expenses without Board approval.

There being no other business, Chairman Costello called for a motion to adjourn.

Trustee Payne moved to adjourn the meeting. The motion was seconded by Trustee Pollihan and carried by a 7-0 vote of all Trustees present.

Meeting adjourned at 4:05 p.m.



Richard R. Frank, Secretary



Date