

**CITY OF BRENTWOOD POLICE AND FIRE FIGHTERS’
PENSION FUND BOARD OF TRUSTEES MEETING MINUTES
FEBRUARY 12, 2015**

Police Chief Fitzgerald called the Pension Board meeting to order at 8:35 a.m.

ROLL CALL:

Deputy Clerk Pittman proceeded with attendance.

Board Members Present: Police Chief Fitzgerald, Fire Chief Jury, Fire Fighter Niemeyer, Police Officer Retzlaff (left meeting at 9:11 a.m.) and Treasurer Reynders.

Board Members Absent: Mayor Kelly and Alderman Toohey

Others Present: City Clerk/Administrator Bola Akande; Deputy City Clerk Octavia Pittman; Actuary Keith Kowalczyk, Ekon Benefits; Legal Advisor Larry Sewell, Armstrong Teasdale; and Investment Consultant Patti Haffner, Asset Consulting Group.

CONSIDERATION AND APPROVAL OF MINUTES:

Pension Board Meeting November 12, 2014

Deputy Clerk Pittman presented the minutes of the November 12, 2014 meeting for approval. Upon motion by Treasurer Reynders and seconded by Police Officer Retzlaff, the minutes of the November 12, 2014 Board meeting were unanimously approved.

PENSION FUND REPORT – PRELIMINARY AS DECEMBER 31, 2014:

The report was distributed to the Board members.

UNFINISHED BUSINESS

Discussion of DROP Arrangement

There was extensive discussion of adding a DROP feature to the Ordinance including the design and actuarial cost of such a change. Mr. Kowalczyk pointed out that not all participants who have 20 years of service at age 55 now retire at that time. About half now retire at age 55 and half at 60. Under a DROP, a participant could remain employed and, at age 55, pension payments, which he or she would have been paid upon retirement, commence to be credited to his or her DROP account under the Ordinance. The actuarial cost of the DROP account in this case would be attributable to the fact that about half of retirement payments would commence about five years earlier under the DROP than they do under the current Ordinance. The cost of payments beginning before age 60 under the current plan is about six percent of the value of the

participant's benefit for each year that payment of the benefit commences before age 60. Mr. Kowalczyk estimates that the actuarial cost the Plan would increase by approximately twenty percent if a DROP feature is added.

There was discussion of how a DROP might be designed including freezing benefits at age 55, requiring participants to retire at age 60, the rate of crediting interest to the DROP account (0% or 4.5%) and whether a participant would be required to continue to contribute after age 55 and commencing participation in the DROP.

Mr. Kowalczyk noted that plan funding is sensitive to earnings of the portfolio. Increasing the cost of the Plan, which a DROP program would do, could have an adverse effect on the actuarial funding of the Plan if earnings on Plan assets do not at least equal the actuarial assumed rate of return of seven percent.

It was noted that the more people might retire at age 55 than they have traditionally done because the Affordable Care Act now makes medical insurance more affordable. If this should happen, the actuarial gain under the current Plan from having half of eligible participants retire at age 60 would be decreased.

The consensus of the Board was that it would be too expensive to add a DROP feature to the ordinance.

Discussion of Death of a Terminated, Vested Participant before Age 55

Under the current Ordinance, no survivor benefits are paid to the spouse of a participant, who terminates employment with ten or more years of service before age 55 and who dies before age 55. Mr. Kowalczyk said that there would be no actuarial cost involved in adding this benefit.

Retirement of Participant after Age 55 who has Ten or More Years of Service but Less than Twenty Years of Service

Mr. Sewell noted that there is a flaw in the Ordinance. Under the current Ordinance, a participant, who has terminates employment with Brentwood before age 55 with ten or more years of years of service, can commence receiving a benefit after age 55. However, there is no provision for payment of a pension to a participant who terminates employment with Brentwood after age 55 and with 10 or more but less than 20 years of service. That person is not entitled to a benefit before they have 20 or more years of service.

Mr. Sewell presented an Ordinance amendment, the Second Amendment to the Fifth Amended and Restated City of Brentwood Police and Fire Fighter's Pension Plan, to the Board which (i) provides a survivor benefit for a participant, who terminates employment with Brentwood with 10 or more years of service and who dies before attaining age 55 and (ii) provides a retirement benefit for a participant who retires from the employment of Brentwood after age 55 with 10 or more years of service. Upon motion made by Treasurer Reynders and seconded by Fire Chief Jury, the Second Amendment to the Fifth Amended and Restated City of Brentwood Police and Fire Fighter's Pension Plan was unanimously approved and it was unanimously recommended

that the Board of Aldermen of the City of Brentwood approve and adopt the Second Amendment.

Summary Plan Description

Mr. Sewell reported that he would update the summary plan description for the changes described above after the Second Amendment is adopted by the Board of Aldermen.

NEW BUSINESS:

Investment Consultant's Report

Ms. Haffner presented the report as of December 31, 2014, copies of which were distributed to Board members.

She provided an overview of markets noting that there has been strong performance in equity and fixed income markets which have bounced back from the prior quarter. The United States bond market was up 6 per cent for the quarter. International markets tend to still be weak although they are stabilizing.

Ms. Haffner does not see a meaningful reduction in United States markets because of the strong United State economy. Growth in European markets has been erratic but it may be moving in the right direction. Also, the growth in United States economy could slow providing opportunities outside of the United States, such as in European fix income because of current pricing.

Ms. Haffner thinks the 7% actuarial assumed rate of return used by the Plan is, at this time, reasonable and attainable.

Ms. Haffner then reviewed the performance of individual managers.

Total fund performance for the fourth quarter of 2014 was a positive 2.8% which is in line with the Plan's policy index. Except for Cortina, all managers performed within their policy indexes. Cortina is continues to struggle but Ms. Haffner feels it will, over time, continue to perform. Typically, Asset Consultant Group does not recommend terminating a manager unless they have under performed for a full market cycle which is about 5 years.

She is recommending rebalancing. Large cap is currently about 6% over allocated. Probably \$1.5 million will be moved from large cap to small cap, international and fixed income. Non United States equity values have been driven down by the strong United States dollar.

Ms. Haffner reviewed the performance of the investment managers as of December 31, 2014. The managers are generally performing in line with or exceeding their indexes. The exception is Cortina Asset Management, LLC which underperformed its index for 2014. Asset Consulting Group will continue to closely monitor the performance of Cortina.

OTHER BUSINESS:

There was a discussion of the taxes dedicated to funding the Plan which were collected during December and January.

Upon a motion made by Fire Chief Jury and seconded by Police Chief Fitzgerald, payment of \$100 for membership in MAPERS was unanimously approved.

Police Officer Retzlaff expressed interest in attending the annual MAPERS scheduled for July, 2015.

There was no other business brought before the Trustees. The next meeting will be scheduled for March, 2015.

ADJOURNMENT:

The meeting was adjourned at 11:30 a.m.