

Minutes: Meeting of January 26, 2012

1. CALL TO ORDER

Blake Boyer called a meeting of the Board of Trustees for the General Employees' Pension Fund to order at 1:10 PM.

2. ROLL CALL:

Mr. Baur took a roll call of the Trustees present. The Board had a quorum for the quarterly meeting. Those persons present included:

TRUSTEES

Blake Boyer, Chair
Margaret Palmisano
Cher Johnson
Bob Williams
Marjorie Milford (1:12)

OTHERS

Scott Baur, Pension Resource Center
JC Louissaint, Pension Resource Center
Nathalie Luke, Aon Hewitt Consulting
Scott Christiansen, Christiansen & Dehner
Lynn Skinner, Salem Trust
Edward Jemison, GE Plan retired member
Patrick Donlan, Foster & Foster (1:18)

3. APPROVAL MINUTES

The Trustees reviewed the minutes for the meeting held on December 12, 2011. It was noted that Lynn Skinner of Salem Trust was not present at the July 28, 2011 board meeting; therefore her name should be removed from the July 28th minutes under the Administrator Report section. It was also noted that the date on the second page of the December 12, 2011 minutes was incorrect and it should be changed from July 28, 2011 to December 12, 2011.

- **A motion was made to approve the December 12, 2011 minutes as amended. Cher Johnson seconded the motion, passed by the Trustees 5-0.**

4. NEW BUSINESS: Scott Baur

(Edward Jemison, terminated vested member)

Mr. Scott Baur explained to the Board that Mr. Jemison, a terminated vested employee of the plan, was eligible to begin receiving normal benefits at age 62 but he did not submit an application until 10 months after the normal retirement age. Mr. Baur had to contact Mr. Jemison last year to get him to make an application so he could start receiving benefits as quickly as possible. Mr. Jemison asked Mr. Baur why he would not get payments retroactive back to the date he first became eligible for normal retirement. Mr. Baur told him that there was some discussion about it but there has not been any resolution yet and Mr. Baur suggested that he write a letter to the board to explain his situation which he did.

Mr. Christiansen explained to Mr. Jemison who was present at the meeting that there is no provision in the plan that indicates that someone can receive retroactive payments back to the date that the vested member first became eligible for normal retirement. Mr. Christiansen stated that benefits are payable beginning on the first day of the month following the terminated vested

member's application for benefit payments. Mr. Christiansen told Mr. Jemison that he can challenge the Board of Trustees' decision on the issue if he wishes to.

A lengthy discussion followed regarding the issue. Mr. Blake commented that it would not be anything extra to make retroactive payments if the money was already there in the fund.

Mr. Christiansen: The plan's actuary prepares a valuation each year based on members receiving benefits so if a member has not applied and not receiving the benefits while maybe payable then the actuary would consider the fact that the member is not getting paid, he would then come up with a potential gain for that year. The same way, if we are talking about going back 5 to 10 years of paying benefits then the plan would have also incurred a loss associated to those payments.

Mr. Jemison stated that he understood the counsel's explanation but he was not aware of the plan's provision not allowing retroactive payments and had he known about it he would have started the process earlier so he could begin receiving benefits at age 62. Mr. Jemison then asked Mr. Christiansen if the plan could increase his monthly payments incrementally in order to make up for the monies that he lost.

Mr. Christiansen: The plan does not give any authority to do this for any member.

Mr. Jemison: Who makes that authority?

Mr. Christiansen: The City adopts the pension plan document and this Board is charged with carrying out the laws in the pension plan and you will not see any provision for making retroactive payments when you look in this pension plan document.

Ms Marjorie Milford to Mr. Christiansen: Are you saying that he could go before the City Council and get permission?

Mr. Christiansen: In this case, the City Council would have to change the Pension plan.

Mr. Jemison: What happens to the money that's there?

Mr. Christiansen: The money is in the plan, it's invested and it's there to take care of the plan's responsibilities and liabilities. Hopefully, if you live a long time and much longer than the fund expected you will therefore collect the money that the plan did not expect to give you.

Ms. Marjorie Milford: If Mr. Jemison had waited until age 65 would that have made a difference?

Mr. Christiansen: No, age 62 is the time when the vested member receives normal benefits but if the member works past age 65, he/she would accrue additional benefits such is not the case for Mr. Jemison.

Mr. Jemison: I wish I knew the rules but I appreciate your thoughts and explanation.

Mr. Christiansen thanked Mr. Jemison for coming before the Board to present his case.

Ms. Margaret Palmisano: Would it be advisable to put something in the plan to avoid this problem in the future?

Mr. Christiansen: It's up to the Board but there is no such provision in the plan for retroactive payments unless the City Council made a change in the Ordinance and the Board would have to abide by the change.

Mr. Patrick Donlan entered the room.

Mr. Christiansen concluded by telling Mr. Jemison that he will ask the Board to vote that there is no provision in the plan to grant him retroactive payments. He also stated that he will write Mr. Jemison a letter to that effect and he will have a right to request a hearing before this Board on that issue. Mr. Jemison could certainly approach some members of the City Council to see whether they will be willing to make a change in the Ordinance to allow retroactive payments.

Mr. Jemison thanked the Board for their time on this issue and departed at 1:20PM.

Ms. Marjorie Milford suggested that the administrator gives a letter to a terminated member explaining their option and also stated that they should make an application to receive benefits when they reach age 62. Mr. Baur stated that Mr. Jemison left in 1992 but he is currently in the process of identifying all the terminated vested people. Mr. Christiansen reminded the Board that they had already voted to give retirement benefit information when a terminated vested member leaves and a process is already in progress to identify all the terminated vested members.

Mr. Christiansen asked the Board if they agree with all the facts presented during the discussion to make a motion that Mr. Jemison is not eligible to receive retroactive benefit payments.

- **Cher Johnson made a motion that the Board of Trustees have determined that Mr. Jemison is not eligible to receive retroactive benefit payments as there is no such provision in the plan. Blake Boyer seconded the motion, passed by the Trustees 5-0.**

Mr. Scott Baur commented that he found 14 members in this similar situation where they passed age 62 and not made application for benefits.

5. ACTUARY REPORT: FOSTER & FOSTER (Patrick Donlan)

Mr. Donlan presented the October, 2011 Actuarial Valuation Report. Mr. Donlan reported that the funding requirement did go up and the required City Contribution for the current year is 16.2% and next year it will be 19.2%, a 3% increase of payroll. The Plan expected a 7.50% return but the annualized rate of return actuarially for the prior (4) years is negative -0.18% which is an overall actuarial loss on the investment side; this amounted to \$825,000 relative to what was expected. Mr. Donlan commented that the valuation report will look better next year as the plan will be able to drop off the 09/30/08 negative -12.95% rate of return. Mr. Donlan stated that salary increases were lower than expected and the Funding Account balance last year was \$439,390 and this year it's down to \$315,172.

Mr. Christiansen asked Mr. Donlan about the funding ratio for the plan and Mr. Donlan stated that the funding ratio is 91.05% which is very good in his opinion. Mr. Christiansen reported that there is a pending legislative bill that states if a plan's funding ratio is below 80%, then the plan has to report itself to the State so it can be put on a watch list.

- **Blake Boyer made a motion to approve the 2011 Valuation Report. Margaret Palmisano seconded the motion, passed by the Trustees 5-0.**

6. INVESTMENT REPORT: AON Hewitt (Nathalie Luke)

Ms. Nathalie Luke presented the Investment Report for the quarter ending December 31, 2011. Ms. Luke reported that the last quarter was much better thanks to a strong market performance during the month of October. Investors embraced risks again and during the fourth quarter of 2011 most markets rebounded back on optimism that European leaders have finally come to conclusion in addressing their sovereign debt crisis. Financials rebounded pretty strongly for the quarter even though they were the sector that posted the worst performance for the year in the U.S. markets. The S&P 500 is up about 6% for the month of January so far. Ms. Luke stated that the focus is more on corporate earnings and she prefers U.S. over Foreign stocks right now and she feels that U.S. is probably in a better shape than other countries. On the Fixed Income side, while economic data in the U.S. improved during the quarter, the European continent continued to show slowdown in economic growth and as we have seen throughout the year, U.S. treasuries still remained safe haven for investors.

Ms. Luke reported that she made the fund changes that were approved in December but as for the Growth Fund of America, it was sold out as planned but the plan was not ready to repurchase Nuveen Winslow because the agreement needs to be amended. AON Hewitt was hoping that everything would be taken care of yesterday but it didn't happen; hopefully the transaction will be executed today but as of right now the plan has about \$1 million sitting in cash. The plan is pretty much on target with the allocation policy but a little bit overweight in cash.

Ms. Luke explained to the board the idea of adding more asset class to the plan and she expects to have some recommendation for the next meeting.

Ms. Luke reported that the portfolio returned 5.31% for the quarter compared to 6.04% for the benchmark with total assets of \$10,120,788 as of December 31, 2011 versus \$9,616,727 as of September 30, 2011. On the Fixed Income side, Pimco had a bad performance during the third quarter but did better on the 4th quarter of 2011. Dodge & Cox Stock returned 11.17% but lagged the Index which returned 13.11%. The American Funds Growth Fund of America returned 8.64% versus the Index 10.61% but the Growth fund will not be there anymore. Brandywine returned 4.30% versus the Index 11.24% but you will not see Brandywine anymore.

The fund returned 5.31% for the quarter ending December 31, 2011 and lagged the fund policy index of 6.04% but not by a huge difference comparing to the previous quarter.

Ms. Luke recommended that the Board approve to raise more cash.

- **Margaret Palmisano made a motion to recommend raising more cash. Bob Williams seconded the motion, passed by the Trustees 5-0.**

7. ATTORNEY REPORT: SCOTT CHRISTIANSEN

Mr. Scott Christiansen asked about the status of the former member who is in jail and wanted to know if the plan administrator had gotten the benefit application with an original signature from the member. Mr. Baur reported that everything appears to be in good order and he is proceeding with the benefit payment processing.

FOSTER & FOSTER ADDENDUM: Mr. Christiansen stated that he finalized the Foster & Foster Addendum that was approved last time and brought to Mr. Donlan's attention a provision he added stating that the increased fee shall not apply to terminated vested calculations requested prior to December 12, 2011.

TRUSTEE STATUS: Ms Christiansen asked for an update of the Trustees' expired term or vacant seat: Blake Boyer, Bob Williams, Frank Wheelehan and Stanley Solomon. Ms. Palmisano reported that the City Clerk had advertised for Stanley Solomon's seat but no one has applied for this board. As for the three open employee positions, the nomination forms will go out on the next paycheck. Mr. Baur also reported that he told the City Clerk that Ms. Marjorie Milford is willing to continue with this board.

LEGISLATION REPORT: Mr. Christiansen reported that there are a couple of Bills pending that have to do with Chapters 175 and 185. The House bill 1495 is about Funding but this plan's funding ratio is over 90% so it wouldn't be affected by this bill which requires a plan to report itself to the State to be put on a watch list if its funding ratio is below 80%.

RATE OF INVESTMENT RETURN: Mr. Christiansen stated that the State law requires that the plan declares an expected rate of return for the next year, next several years and a long term thereafter and the plan always looks to Ms. Luke to give the rate of return. Ms. Luke reported that the rate of return can stay the same at 7.50%. Mr. Christiansen asked the Board to approve a motion for the current rate of return.

- **Margaret Palmisano made a motion to approve the rate of return of 7.50% for the next year, next several years and a long term thereafter. Bob Williams seconded the motion, passed by the Trustees 5-0.**

PROPOSED ORDINANCE: Mr. Christiansen reviewed the proposed ordinance and explained the amendments that are being proposed:

Section 15-91, Definitions, is being amended to amend the definition of Actuarial Equivalent to correctly reflect the mortality table being used by the plan's actuary. This section is also being amended to amend the definition of Salary of the Internal Revenue Code limitation for benefits in excess of \$200,000.

Section 15-96, benefit Amounts and Eligibility, subsection (c), Review of Retiree Benefits, is being amended to remove unnecessary language referring to disabled retirees, as the plan does provide for disability benefits.

Section 15-112, Reemployment after Retirement, is a new section which provides restrictions for the reemployment of retirees after retirement to comply with the requirements of the Internal Revenue Code.

Section 15-115, Prior Government Service, is being amended to correct a section reference on the last page.

Mr. Christiansen suggested that the Board make a motion to approve the revised proposed ordinance.

- **Margaret Palmisano made a motion to approve the revised proposed ordinance as presented. Bob Williams seconded the motion, passed by the Trustees 5-0.**

SUMMARY PLAN DESCRIPTION: Mr. Christiansen brought a final draft of the 2012 SPD, but Exhibit "A" of the Trustees' list is not up to date. Mr. Baur reported that the election for the three seats open will be on March 9, 2012. Mr. Christiansen then asked the Board to approve the Summary Plan Description as provided with the understanding that some of the Trustees listed on page 9 may change after the March 9th election.

- **Bob Williams made a motion to approve the Final 2012 Summary of Plan Description with the understanding that some of the Trustees on page 9 may change after the March 9, 2012 election. Margaret Palmisano seconded the motion, passed by the Trustees 5-0.**

8. ADMINISTRATOR REPORT (Scott Baur)

Mr. Baur brought over the few materials that were missing from the December 12, 2011 meeting packet and apologized for the oversight.

PLAN SURVEY: Mr. Baur reported that Resource Center conducted an exhaustive plan survey and the detailed result (good and bad) is in the packet for the Trustees to review. Mr. Baur stated the result was fairly positive and in cases where the result is not as positive, Resource Center takes the Board feedback seriously especially in the communication area where improvement is needed. On a scale of 1 to 5, the overall result was about 4.8 out of 5. Mr. Baur thanked the Board for taking their time to respond to the client survey.

SSAE-16 TYPE II AUDIT: Mr. Baur reported that his office just completed and updated what's known as SSAE-16 audit which used to be the SAS 70 audit and as soon as he has the final document Mr. Baur will forward it to the Board.

9. PLAN FINANCIALS

The Trustees reviewed the warrant list of disbursements.

Margaret Palmisano made a motion to approve the warrants dated January 26, 2012 as listed. Bob Williams seconded the motion, passed by the Trustees 5-0.

The Trustees reviewed the list of Benefits for approval and Bob Williams informed everyone that Marian Puckett who was on the Benefits for approval list passed away some time ago. Mr. Baur stated that he did not know that Marian Puckett had passed away but her name was among the 68 terminated vested people that he had and Mr. Patrick Donlan sent benefit calculation for Marian Puckett. Mr. Baur stated that a death search will need to be done on these people.

SALEM TRUST: Ms. Lynn Skinner stated that she had sent out a letter asking Resource Center to verify Stop Date for the individuals that Salem Trust had set up in their system. Mr. Baur explained that the information he got when Resource Center took over the plan was from Salem Trust so he lacks enough details on these people and would not have anything new to provide to

Salem Trust. Mr. Patrick Donlan offered to verify the information and provide the Stop Date that Ms. Lynn Skinner is asking for.

Mr. Baur offered to conduct a workshop with the members either as a group or individually to help them understand the plan provisions, the benefit calculations, the multiplier, how to get online to the Resource Center website etc... The Trustees are all in favor of this type of workshop and suggested that the month of September might be the right time to do it. Mr. Baur will speak with Mercedes Perez in Human Resources department to see if she can coordinate this project.

10. OTHER BUSINESS

11. NEXT MEETING DATE / ADJOURN

The Trustees previously scheduled their next meeting for Thursday April 26, 2012.

There being no further business, a motion was made to adjourn the meeting at 3:10 PM.

Mr. Blake Boyer made a motion to adjourn. Ms. Margaret Palmisano seconded the motion, passed by the Trustees 5-0.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Margaret Palmisano", written over a horizontal line.

Margaret Palmisano, Secretary