

GENERAL EMPLOYEES' RETIREMENT SYSTEM

TRUSTEE BOARD MEETING

April 27, 2016

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Acting Chair Trustee Nugent called the board meeting to order. In attendance were Trustee Alicia McMillian, Trustee Terry Anderson, Trustee Commissioner Tommy Chastain; Pension Attorney Ron Cohen; Tyler Grumbles from Bogdahn Consulting, Brian Bizzell and Mark Rhein, Salem Trust, and Actuary Larry Wilson, GR&S. Chairman Scott Roberts and Deputy Clerk/Assistant Board Administrator Brenda Wiggins were absent.

Chairman Nugent entertained a motion to approve the minutes of the January 27, 2016, meeting.

Attorney Cohen requested the following corrections for the minutes.

Trustee Chastain made the motion to approve the minutes as published, second by Trustee McMillian; passed 4-0.

Chairman Nugent entertained a motion to approve the warrants for January, February, and March 2016.

Trustee McMillian made the motion to approve the warrants, second by Trustee Anderson; passed 4-0.

Tyler Grumble reviewed the market environment. Interest rates have stayed around 2 to 2 1/2 percent for the year.

The asset allocation; the plan is allocated more toward stocks at 74.4% equity and 20.4% fixed income; 5.3% cash. The amount in the account basically stayed the same.

In dollar terms for the quarter; started with \$9,008,236; contribution in of \$118,899; payments out of \$220,280; expenses \$7,782; net income \$32,711; gain \$76,740; market value \$9,008,523

Fiscal Year to Date; \$8,529,004; contributions \$263,563; distributions \$429,905; management fees \$22,328; expenses \$30,371; net income \$65,431; capital gains \$633,128; market value \$9,008,523.

Attorney Cohen presented the amendment to the Bogdahn agreement which reflects the \$500 change with splitting the accounts apart at Salem Trust as discussed and approved at the last meeting. He requested a motion to authorize signatures for the agreement.

Chairman Nugent entertained a motion to accept Bogdahn's Report as presented by Tyler Grumbles

Motion was made by Trustee Chastain, second by Trustee McMillian; passed 4-0.

Trustee McMillian made the motion to authorize the signing of the amended agreement with Bogdahn, second by Trustee Anderson; passed 4-0.

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Attorney Cohen presented the quotes for the fiduciary liability insurance. He gave a brief explanation of the need for insurance for the trustees.

U.S. SPECIALTY INSURANCE COMPANY		
LIMIT	DEDUCTIBLE	ANNUAL PREMIUM
\$1,000,000	\$0.00	\$1,685
\$2,000,000	\$0.00	\$2,661
HUDSON INSURANCE COMPANY		
\$1,000,000	\$5,000	\$2,301
\$2,000,000	\$5,000	\$3,248
RLI CORP		
\$1,000,000	\$0.00	\$3,000
\$2,000,000	\$0.00	\$6,000

He suggested using the same company as the Fire and Police Boards selected, which is U.S. Specialty Insurance. He requested the board move forward and discuss the Globe Tax information while he searched records.

Mark Rhein and Brian Bizzell from Salem Trust discussed the Globe Tax.

When Bowen Hanes invested ADR, a company headquarters located overseas, when the dividends come into the pension plan the foreign entities collect tax before you see the dividends. This is an international tax which the boards can reclaim if you have the right service at hand. Globe Tax will keep track of the taxes collected and follow through with collecting the taxes. This is a third party who collects the taxes and there is a fee associated with it. It is 20% of the collections plus there is a fee for Salem Trust of 5% of the net amount collected.

Attorney Cohen read a statement from David Kelly from Bowen Hanes. He also ask if there was any concern with providing Globe Tax with the holdings?

A list of holding will be provided to Globe Tax, how they receive the information it's encrypted and no privacy issues related to it.

This can be cancelled at any time.

Trustee Anderson made a motion to move forward with Globe Tax, second by Trustee Chastain; passed 4-0.

Mr. Rhein announced that Brain Bizzell will be leaving Salem Trust to move to Texas with his family.

Attorney Cohen reported at the Fire and Police boards did hire U.S. Specialty Insurance Company and he recommended the General Board use the same.

Trustee McMillian made the motion to approve U.S. Specialty Insurance Company to handle the fiduciary liability insurance, second by Trustee Anderson; passed 4-0.

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Attorney Cohen presented an Ordinance regarding the situation regarding the 10 year certain distribution option and what happens to the funds after the retiree and beneficiary pass within the 10 year certain who would receive the remaining 10 year certain payments. This issue arose with Satpal Atwal and his wife passed.

He suggested the following changes for Option A. pension for ten years certain and life thereafter. Under option A the retiree shall receive a reduced pension payable e throughout his life with the provision that, if he dies before he has received the 120 monthly pension payments, the payments shall be continued for the remainder of the period of 120 months and paid to such person or persons, in equal shares as the retiree shall have nominated by written designation duly executed and filed with the board. If no such designated beneficiary survives the retiree such remaining pension payments shall be paid to the estate of ~~the survivor of the retiree and his last surviving beneficiary.~~ In the event that there is more than one named beneficiary and a beneficiary dies before the full 120 payments have been made, each remaining monthly payment will be adjusted pro-rata and paid to the remaining beneficiary or beneficiaries in an amount equal to one full monthly payment. In the event that the retiree dies and all remaining beneficiaries die before 120 full monthly payments have been made, the remainder of the 120 monthly payments shall be paid to the estate of the last surviving beneficiary.

For other options Attorney Cohen suggested having more than one primary beneficiary and also contingency beneficiary. The employees will need to keep their forms updated and can be done at open enrollment.

Actuary Larry Wilson explained the contingency beneficiary will work for the pre-retirement death benefit, with the 10 certain and life, but for the joint survivor options they are payable to the lifetime of the member and who is elected a joint survivor. Upon the death of those persons there is no continuation of the benefit. There will be a change to the ordinance to permit the persons to change their beneficiary with a recalculation of the benefits and to have more than one beneficiary, and a contingent beneficiary.

Trustee McMillian requested sample forms for the next meeting to review as well as the ordinance.

Attorney Cohen requested this sentence be added to the last meeting minutes on page 3.

The board discussed that the payments should be made the estate of the beneficiary.

Trustee Anderson made a motion to accept the minutes from January 27, 2016 with the correction by Attorney Cohen, second by Trustee Chastain; passed 4-0.

Attorney Cohen gave information to the board regarding records request and attorney fees.

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Actuary Larry Wilson gave the summary of the 2015 Actuary Report.

The minimum payment for the fiscal year ending September 30, 2017 is \$527,786 (55.7%). The figure in parentheses is the System cost expressed as a percentage of projected covered annual payroll for fiscal year beginning October 1, 2016 (\$948,129).

This total cost is to be met by member contributions, member pick-up contributions and City contributions. We anticipate member contributions will be \$9,337 (1.0%) and member pick-up contributions will be \$47,406 (5.0%) for fiscal year ending September 30, 2017. This leaves a Base City requirement of \$471,043 (49.7%) for fiscal year ending September 30, 2017. The Base City contribution includes an interest adjustment.

As a result of an Experience Study dated October 23, 2015 covering the five year period October 1, 2009 through September 30, 2014, several actuarial assumptions have been updated. Assumed investment return has been updated to 7.5%, net of investment expenses with input from the investment consultant. Employee withdrawal rates, salary increase rates, retirement rates and mortality rates have also been updated.

Comparison shows the effect of System experience during the year. The number of active participants increased by approximately 6%. Covered payroll increased by approximately 14%. Total System membership increased by approximately 1%. Total normal cost increased as a dollar amount but decreased as a percentage of covered payroll. The unfunded actuarial accrued liability and the net Base City minimum funding requirement decreased both as a dollar amount and as a percentage of covered payroll.

Trustee McMillian made the motion to accept the Actuary Report as presented, second by Trustee Anderson; passed 4-0.

Actuary Wilson added the report does not include the increase for the Ad Hoc Cola increase for the retirees.

There being no further discussion a motion was made to adjourn the meeting by Trustee Chastain, seconded by Trustee McMillian; passed 4-0.

Trustee Daniel Nugent, Acting-Chairman

ATTEST:

Ricky Thompson, Administrator/City Clerk