

**NON-CERTIFIED EMPLOYEE RETIREMENT PLAN (NCERP)**

**COMMITTEE MEETING**

**November 13, 2013**

**MINUTES**

**CALL TO ORDER**

Mr. Kevin White called the regular meeting of the NCERP Committee to order at 9:17 a.m. in the Confluence room, in the Library, at the Meramec Campus.

**Members Present**

Vicki Lucido  
Bill Miller (ex-officio)  
Bruce Vogelgesang (ex-officio)  
Calla White  
Kevin White, Chairperson  
Michael Wibbenmeyer

**Others Present**

Julie Hupperts (Towers Watson)  
James Hayden, Plan Coordinator  
Jim Wilkinson (Columbia Management)  
Kyle Rose (CliftonLarsonAllen, LLP)  
Kent Kay  
Mary Wagner  
Jill Moore  
Ronald Fisher  
Deborah Watson  
Mary Holtz  
Linda McGinnis  
Tim O'Neill

**COMMENTS FROM PARTICIPANTS**

None

**APPROVAL OF MINUTES**

**Regular Meeting Minutes of August 14, 2013**

Ms. White moved that the minutes of the regular meeting of August 14, 2013 be approved as written. Mr. Wibbenmeyer seconded the motion, and the motion carried.

**CLIFTON LARSON ALLEN's ANNUAL AUDITOR's REPORT**

Mr. Kyle Rose, of CliftonLarsonAllen, LLP, gave the results from the audit conducted on the fiscal year ending June 30, 2013. He stated that the financial reports are in draft format and no reason to believe there will be any changes. He started his presentation by indicating the financial statements for the audit were presented fairly, clean, and ended in conformity with

accounting principles generally accepted in the United States. Mr. Vogelgesang brought to the committee's attention that there has been a name change of the college, as it is now the community college district, replacing "junior" with "community". After, much discussion it was determined the Plan will seek legal advice to determine if Plan documents require altering. Mr. Rose further stated that the net assets for the fund are \$66,614,294 and up 7.25 percent from last year. The Plan had a market gain of \$4.5M, contributions were just under \$1.8M for the year, benefits paid directly to participants were \$4.3M, and administrative expenses were under \$2.5K, together totaled deductions at a little under \$4.5M, which is a net increase of assets almost \$4.5M compared to last year's June 30, 2012 report. Mr. Rose stated that the reason for the increase in assets is attributed to the growth of investment returns.

Mr. Rose referred to page 11 of the audit report and he pointed out the total actuarial present value of accumulated plan benefits at a little over \$54M. There is \$66M in assets, leaving a \$12M cushion in assets. Therefore, the Plan is well over funded and yet, many retirement plans are under funded. Then Mr. Rose entertained several questions concerning the audit.

### **REPORT FROM ACTUARY**

#### **Towers Watson, NCERP Valuation Results, as of June 30, 2013**

The Chair of the NCERP committee deviated from the agenda to have Mrs. Julie Hupperts, Towers Watson, Consulting Actuary, began her presentation due to continuity purposes because largely the audit information provided was obtained from the actuarial valuation. Mrs. Hupperts began her annual actuarial valuation by informing the committee of the time frame the census data was taken from; July 1, 2012 – June 30, 2013. She further explained that we will be sharing with the committee; highlights of the previous year, the assumptions changes, the 2013 valuation results, the historical results and share some closing remarks.

Mrs. Hupperts briefly informed the committee of the 2012/2013 highlights by pointing out the *asset experience* was the actual return was 11.3 percent on the market value of assets, and the cumulative asset return was about 40 percent over the past 3 years, versus an anticipated 25 percent based on the actuarial assumptions. The *demographic experience* resulted in lower liabilities; because the COLA valuation included a long-term assumption of 4.0%, but only 1.0 percent was actually provided for January 1, 2014 COLA increase. *Pay increases* included a long term assumption of 4.75% previously in 2011/2012, and for the 2012/2013 time frame pay increases were only 0.3 percent and there were no significant gains or losses from other demographic factors.

She continued to inform the committee of all assumptions changes focusing mostly on the aspect of the disability updates remained the same after much research on current disability cases, COLA assumptions were reduced from 4.0 percent to 3.25 percent, salary increase assumptions were decreased from 4.75 percent to 4.25 percent, anticipated expected return on assets were

decreased from 7.75 percent to 7.25 percent and asset smoothing changed from 20 percent closure to market assets, to a 5 year smoothing method.

She continued in providing to the committee the 2013 valuation results:

	\$(000)	
	<u>7/1/2012</u>	<u>7/1/2013</u>
Market Value of Assets	\$61,885	\$66,343
Market Rtn Previous Yr	2.40%	\$11.30%
Funded Ratio		
MVA / Accumulated	118%	\$122% (currently)
MVA / Projected	77%	81% (future)
Contributions		
Shortfall	\$668	\$500

Mrs. Hupperts concluded the annual actuarial valuation by carefully pointing out the following:

- The long-term financial health of the plan will improve if future assets increase at a rate greater than expected or future liabilities grow more slowly than expected (or decreased).
- This will occur only if future asset performance exceeds expectations, future contributions increase, future benefits decrease, or some combination of the factors occur
- Recommends the NCERP committee continue to monitor the Plan’s performance, including asset performance, and take appropriate action in the future if it becomes necessary.
  - Plan funded status is strong on an accrued basis
  - Funded position on a projected basis has been recovering since 2008/2009 asset decline
  - Key metrics are moving in positive direction

Mrs. Hupperts opened the floor for questions and Mr. Timothy O’Neill referenced page 5 of the valuation and as what the decrease of \$2.9 million in long-term deficit indicated? Mrs. Hupperts explained that the long term anticipated contribution shortfall for the plan has decreased due to change in the assumptions and plan experience as we previously discussed.

## **INVESTORS' REPORT**

### **Columbia Management's Investment Presentation as of September 30, 2013.**

Mr. James Wilkinson, Columbia Management, Senior Institutional Relationship Manager, began his presentation expressing this quarter ending September 30, 2013 by stating that as a continuation of what has been presented "things are getting better". The 2008/2009 decline in market value is getting better, but as was mentioned during that same time frame, I predicted that this would be a slow recovery. Federal Reserve approach has been successful with the quantitative easing; but, tapering is still on the horizon, tapering is the when the Fed buys long-term US Treasuries and Mortgage-back security to cut borrowing and pump cash into the system, but this has not started yet. Maybe the new Fed chair, Janet Yellen will begin the tapering process, once she is in place, early in 2014. She is an insider, opposed to outsiders, I strongly feel we can anticipate subtle changes, but not huge shifts.

Unemployment levels fell to 7.3 percent mostly due to further decline in labor force participation. Still too high to have any significant impact on the economy, as employers are not increasing salaries because of the abundance of personnel out of work. Our Gross Domestic Product for the quarter was 2.5 percent due mostly to auto and housing related activity. Stock markets are posting record highs and with a gradual increases in interest rates.

Over the first quarter ending September 30, 2013 the Plan grew at a rate of 4.05 percent. A brief record of performance over the years is as follows; with a 1 year increase of 11.5 percent, the 3 year growth is at 10.80 percent, 5 year growth at 8.93 percent, 10 year is at 7.68, and since inception the growth rate has been 9.22 percent. Overall, the performance of the Plan over the years has been pretty good. Mr. Wilkinson opened the floor for questions and Mr. Vogelgesang asked about equities being overpriced and its impact on the Plan? Mr. Wilkinson responded that that may be the case now but because of the diversification of the portfolio, the fixed income rates are likely to increase when the equities market changes.

### **REPORT ON NEW PARTICIPANTS/RETIREES/RETURN OF CONTRIBUTIONS/DECEASED RETIREES**

Mr. Hayden reported that during the period of July 1, 2013 through September 30, 2013 there were two (2) new participants were added to the Plan and eight (8) separated from the College. Of those who separated from the college; their returned contributions and credited interest totaled \$42,758.55.

During the same period, nine (9) Plan participants chose to retire. Six (6) chose the Annuity Payments for Life Option and two (2) chose the Lump Sum Payment totaling \$187,407.20. One (1) retiree chose the 50 percent Annuity/50 percent Lump Sum method of payment.

Also, there were no retirees who expired during this period who was receiving a monthly benefit pension.

### **SUBMISSION OF BILLS**

Mr. White made a motion, seconded by Mrs. Lucido, to ratify the payment of the six (6) bills presented to the Committee during the reporting period. The motion carried. The bills included:

Towers Watson – Actuarial Services (07/01/13-09/30/13)	\$17,500.00
Towers Watson – August 26, 2013 (Scope of Work)	\$ 4,251.72
Columbia Management Investment Services (07/01/13-09/30/13)	\$32,283.51
Nadoz Café; August 29, 2013	\$ 121.50
Nadoz Café; October 16, 2013	\$ 150.00
Treat America: August 14, 2013	\$ 83.25
State Street Bank and Trust Company (07/01/13 - 09/30/13)	\$ 1,647.96
State Street Bank and Trust Company (07/01/13 - 09/30/13)	\$ 15,101.39
St. Louis Community College – Auditing Fees (10/09/13)	\$ 8,800.00

### **UNFINISHED BUSINESS**

#### **NCERP REPORTS**

The one (1) percent NCERP Cost of Living Allowance (COLA) increase for eligible retirees will be authenticated by the Plan's actuary next week and then forwarded to State Street Bank for processing.

The Committee agreed to change the recommended 1.8 percent increase previously submitted to the Board of Trustees, to a one (1) percent COLA increase for all eligible participants.

All eligible recipients for the 2014 COLA increase will be notified of the one (1) percent increase prior to December 23, 2013, prior to our beginning of the 2013 Christmas break/vacation.

#### **NCERP's Operational Budget – Ending September 30, 2013– James Hayden**

The original budget for the 2013-2014 fiscal year was \$407,019.00 and as of, September 30, 2013, with the deduction of all approved expenditures and the encumbered expenses of \$19,246.14, the remaining balance for the quarter is \$312,279.92.

**NEW BUSINESS**

**BENEFIT IMPROVEMENTS**

Mrs. Hupperts indicates there is no recommendation from the Plan’s actuary to increase benefits, though gains in market value has improved considerable, gains have not matched Plan deficits that were lost during the 2008, and 2009 time frame. Committee members are in agreement with staying the course and anticipating the best from our diverse portfolio.

**Local 148, Operating Engineers, AFL-CIO Letter dated October 28, 2013**

Mr. Michael Wibbenmeyer is reinstated by the Local 148, Operating Engineers, AFL-CIO to his position on the NCERP committee as a representative for Physical Plant participants. His term will expire; October 31, 2016.

Mr. Hayden refers to NCERP Reports item of the agenda and shares with the NCERP Committee that scanning documents in the NCERP office will take place within the next quarter or two. The process will begin with having Mr. William Pagan accomplish the scanning in accordance with the letter provided by Ms. Catherine Heal.

Also, Mr. Hayden explained to the NCERP Committee that the need to inform participants of a clear explanation of termination date and the actual retirement date has arisen. Appears some are trying to retire and work on same day so they will benefit from holiday pay. We will with the committee permission to use the NCERP Newsletter to convey the clear cut explanation. Committee understands and supports the necessary action to convey the explanation between termination date and retirement date in the upcoming NCERP Newsletter.

**ADJOURNMENT**

There being no further business, a motion was made by Mr. White and seconded by Mrs. Lucido to adjourn the meeting. The motion carried and the meeting was adjourned at 10:35 a.m. The meeting of the next NCERP Committee will take place on Wednesday, February 12, 2013 at 9:15 a.m., at the Harrison Center.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Date