

NON-CERTIFIED EMPLOYEE RETIREMENT PLAN (NCERP)

COMMITTEE MEETING

November 12, 2014

MINUTES

CALL TO ORDER

Mr. Kevin White called the regular meeting of the NCERP Committee to order at 9:16 a.m. in the Confluence room, in the Library, at the Meramec Campus, on November 12, 2014.

Members Present

Ruth Lewis
Keisha Robinson
Kevin White, Chairperson
Michael Wibbenmeyer
Kent Kay (ex-officio)

Others Present

Julie Hupperts (Towers Watson)
James Hayden, Plan Coordinator
Don Schisler (Towers Watson)
Jim Wilkinson (Columbia Management)
Mike Hillary (CliftonLarsonAllen, LLC)
Kyle Rose (CliftonLarsonAllen, LLC)
John May
Tim O'Neill
Debbie Watson
Sharon Holt
Jo Moore
Mary Holtz
Willie Wright
Pattie Sciuto
Mary Ann Wagner

COMMENTS FROM PARTICIPANTS

None

APPROVAL OF MINUTES

Regular Meeting Minutes of August 20, 2014

Special Meeting Minutes of September 25, 2014

Plan Participant; Mr. Tim O'Neill, asked if participants can review the special meeting minutes, September 25, 2014? Mr. Hayden indicated the special meeting minutes, September 15, 2014, can be attached to the next quarterly NCERP newsletter so all participants are able to review.

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, 2014. Mr. Mike Hilary introduced himself as the principle in charge on the plan's audit and introduced Mr. Kyle Rose, as the manager in charge of the audit, who assisted greatly in the completion of the audit. Mr. Hilary referred to the draft of the completed audit and with only a few minor changes will be finalized very soon. He then informed the NCERP committee that this is the first year implementation of the new GASB 67 requirements are in effect. Mr. Hillary then presented Mr. Kyle Rose to explain the details of the audit.

Mr. Rose 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. Rose further stated that the net assets for the fund are \$79,557,082, with plan liabilities of \$4,040,545, making the net value of the plan \$75,516,537, which is up 15.4 percent from last year. After review the all notes to the audit including the GASB requirements at note 2, the plan is currently 108 percent funded. Mr. Rose expressed that this is a good position for the plan to be in.

Mr. Rose then asked if there were any questions concerning the audit.

Question came from a participant concerning interest rates on page 18 of the auditor's report. Mr. Rose explained that these were the return on plan investments for the years identified and reveals we have had positive return on 8 of the last 10 years, with the years of volatility being 2008 and 2009 when markets were in turmoil over the housing/real estate downturn.

Mr. Wibbenmeyer asked a question concerning the funded percentage amount of 108 percent and if that was current as of June 30, 2014? Mr. Hillary responded with yes, but is probably not the same as today because it is a forever ever-changing entity.

INVESTORS' REPORT

Columbia Management's Investment Presentation as of September 30, 2014.

Mr. James Wilkinson, Columbia Management, Senior Institutional Relationship Manager, began his presentation expressing the quarter ending September 30, 2014 by stating that the 60/40 investment strategy between equities and fixed income has provided a conservative approach and has maintained the plan through-out the years.

He starts out indicating the markets have had interesting this quarter, unemployment rate is being reported at 5.8 percent, almost a percentage point difference since the beginning of the year. Third quarter GDP is at 2.5 percent, growth seems to increasing for a number of reasons. However; reasons for current instability in the market include; ISIS, Ebola threat, mid-term

elections, and the drop in gas prices. The U.S. economy is slowly improving, European market seems to be flat lined, Chinese economy is also slower than usual, Feds are easing on quantitative easing efforts, and Japanese have also ramped up their quantitative easing efforts. With the Feds regulating interests at 0 percent we anticipate the middle of 2015 there will be an increase in interest rates if the economy continues to grow. Gas prices are under 80 dollars per barrel and this frees up disposable income spending for this holiday season.

Ending the quarter; September 30, 2014 the Plan was down from the previous quarter's ending value of \$74,968,543, to current quarter ending amount of \$74,256,504, at the end of the quarter, the Plan is down .33 per cent, not an entire percentage point, but down some, nonetheless.

A diverse portfolio between the fixed income and the equities has minimized the Plan's losses. Year to date the Plan's performance has been 5.71 per cent, one (1) year at 11.49 per cent, three year (3) at 14.24 per cent, (5) five year at 10.84 per cent, (10) ten year at 7.70 per cent, slightly above the actuarial expectation. Mr. Wilkinson then opened the floor for questions.

A participant in attendance asked if we were letting for bid for Plan services. Mr. White responded that he had been in conversation with Mr. Kent Kay and Mr. Scott Tate concerning actuary services, but have met with negative results. However; we will be looking to save the Plan's expenses in obtaining the best service for the best price.

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

Mr. Hayden reported that during the period of July 1, 2014 through September 30, 2014 there were six (6) new participants added to the Plan and eleven (11) separated from the College. Of those who separated from the college; their returned contributions and credited interest totaled \$112,649.81.

During the same period, three (3) Plan participants chose to retire. One (1) chose the Annuity Payments for Life Option and two (2) chose the Lump Sum Payment totaling \$206,113.70. One participant chose the 50 percent Annuity/50 percent Lump Sum method of payment.

Also, there were two (2) retirees who expired during this period who was receiving a monthly benefit pension; Mrs. Martha E. Travis, who worked at the Forest Park campus and Mrs. Carylton Williams.

SUBMISSION OF BILLS

Mrs. Lewis made a motion, and that motion was seconded by Mr. Wibbenmeyer, 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 (07/01/14-09/30/14)	\$17,500.00
Columbia Management Investment Services (07/01/14-09/30/14)	\$32,952.54
Nadoz Café; September 25, 2014	\$ 137.55
State Street Bank and Trust Company (07/01/14 - 09/30/14)	\$ 1,685.45
State Street Bank and Trust Company (07/01/14 - 09/30/14)	\$ 18,289.74
St. Louis Community College – Auditing Fees (10/09/14)	\$ 6,600.00

REPORT FROM ACTUARY

Mrs. Julie Hupperts, Towers Watson Associate, began the Plan’s annual actuarial valuation result as of July 1, 2014 by speaking to the report’s 2013/2014 highlights:

- Asset experience
 - Actual asset return was 16.8 per cent on the market value of assets
 - Expected return of 7.25 per cent based on actuarial assumptions
- Demographic experience resulted in lower liabilities
 - COLA
 - Valuation included a long-term assumption of 3.25 per cent per year
 - 2014 COLA was 1.0 per cent
 - 2015 COLA will be 1.0 per cent
 - Pay Increases
 - Valuation included long-term assumption of 4.25 per cent
 - 2013/2014 pay increases for continuing actives was just under 3 per cent
 - No significant gains or losses from other demographic factors
- Funded ratios
 - Accumulated Benefit Funded Percentage increased from 122 per cent funded to 133 per cent funded
 - Total (past + future) benefits increased from 81 per cent funded to 91 per cent funded (100% would be over estimation)
- Expected contribution vs. normal cost
 - Expected college contributions for 2014/2015 remain less than normal cost (“actuarially required contribution”)
 - Contribution shortfall has existed ever since 2009/2010
 - Normal cost is 5.11 per cent of pay vs. contribution rate of 4.00 per cent
 - 2014/2015 estimated shortfall is about \$227,000

GASB 68 Liability Results indicate that total pension liability is declining as evidenced by the total pension liability values as of July 1, 2013 were \$73.3M and as of July 1, 2014 were \$69.8M. The primary driver of this decreased change is the discount rate which increased from 6.44 per cent to 7.25 per cent, which increased the Plan Fiduciary Net Position from 66.3 to 75.2, the Net pension liability decreased from \$7.0M to (\$5.4M).

GASB 67 Expense Results is a new measure we are reviewing with focus on Service Cost which is the cost of benefit payment for the year is \$1.7M. Interest cost is \$5.0M, Projected Return on MVA is (\$5.3M), GASB 67 Expense Results is \$1.4M.

Mrs. Hupperts then covered the Historical Results of NCERP Assets and Liabilities and concluded the market value of assets are getting closer to the accumulated benefits in 2014 and as we can see is far greater than the previous 5 years.

Her review of the Historical Results of Plan Surplus/(Deficit) compared the Actuarial Value Basis and the Market Value Basis over the last 5 years and **now** the Market Value basis is in positive territory.

As Mrs. Hupperts completed her report she asked for questions at this time. Plan participant, Mr. O'Neil asked about the demographics and why there were no significant gains or losses from other demographic factors. Mrs. Hupperts responded with the determination of retirements, deaths, terminations are actuarially assumed to be particular amount and they found no significant changes in the actual occurrences and the assumptions.

UNFINISHED BUSINESS

Mr. White brought to the attention of the committee that the committee failed to hear a motion to approve the minutes from the August 20, 2014 committee meeting and the special meeting minutes on September 25, 2014. Mrs. Robinson moved that the minutes of the regular meeting of August 20, 2014, and the special meeting minutes, September 25, 2014 be approved as written. Mr. Wibbenmeyer seconded the motion, and the motion carried.

Cost of Living Allowance: Mr. White wanted to express to the committee that in the September 25, 2014 meeting the committee reached a consensus on providing a 1 per cent COLA increase to all eligible retirees, later approved by the Board of Trustees on October 17, 2014.

He furthered wanted to explain that the committee had decided to pull the let for bid proposal for the actuary services because there were services omitted from the proposal and to alleviate awarding a contract to an agency that wasn't able to support the plan totally, we decided to pull the proposal and resubmit sometimes in the future to ensure all required services are provided sometimes in the spring 2015.

NCERP's Operational Budget – Ending September 30, 2014– James Hayden

The original budget for the 2014-2015 fiscal year was \$411,483.00 and as of, September 30, 2014, with the deduction of all approved expenditures and the encumbered expenses of \$96,652.64, the remaining balance for the quarter is \$314,830.36.

NCERP Reports: Mr. Hayden had no formal report to provide, but indicated the plan is doing well and retirees are happy with their pension payments. One item of interest is that if the letting for bid proposals considerations, he wished to express his feelings concerning consideration of services being considered. He would start with the trust agency because they have a series of less than perfect performances in the past and of the three paid services provided to the Plan, they are the most difficult to work with.

NEW BUSINESS

Plan Improvements – Mrs. Hupperts

Mrs. Hupperts spoke on behalf of the Plan's actuary, Towers Watson, she feels that the Plan should stay to course and not recommend any Plan benefit improvements.

Let for Bid Proposal - Mr. White

Proposals will be forth-coming; we do have excellent vendors supporting the Plan, but our fiduciary responsibilities do support the process of seeking the best service possible for the best price possible. Participant asked if there is a chance of the College access retirement funds to support financial woes of the College. Mr. White ensured her that wasn't a possibility. Mr. White asked for questions/comments from anyone. Mr. Wibbenmeyer wanted to thank the auditors; CliftonLarsonAllen , LLC, and the Plan's actuaries; Towers Watson for their excellent service they both have provided to the Plan.

Adjournment

Mr. White, chairperson, made a motion to adjourn; the motion was seconded by Mrs. Robinson, the motion carried. Next meeting will be February 11, 2014 at the Cosand Center.

Chairman

Date

Administrator

Date