

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

**COMMITTEE MEETING**

**November 11, 2015**

**MINUTES**

**CALL TO ORDER**

Mrs. Ruth Lewis, vice chair, called the regular meeting of the NCERP Committee to order at 9:18 a.m., in the Training Center, Room: TC-202/204, at the Florissant Valley campus, on November 11, 2015.

**Members Present**

Ruth Lewis, Vice Chair  
Keisha Robinson  
Calla White  
Bill Miller  
Paul Zinck

**Others Present**

Julie Hupperts (Towers Watson)  
James Hayden, Plan Coordinator  
Don Schisler (Towers Watson)  
Jim Wilkinson (Columbia Management)  
Kyle Rose (CliftonLarsonAllen, LLC)  
Tim O'Neill  
Steve Kanterman

**COMMENTS FROM PARTICIPANTS**

None

**APPROVAL OF MINUTES**

**Regular Meeting Minutes of August 12, 2015**

The vice chair requested a motion from the floor to approve the regular meeting minutes of August 2015, Mrs. White made the motion and seconded by Mrs. Keisha Robinson, the motion carried.

**Special Meeting Minutes of September 24, 2015**

The vice chair requested a motion from the floor to approve the special meeting minutes of September 24, 2015, Mrs. White made the motion and seconded by Mrs. Keisha Robinson, the motion carried.

## **CLIFTONLARSONALLEN's ANNUAL AUDITOR's REPORT**

Mr. Kyle Rose, of CliftonLarsonAllen, LLP, (CLA) introduced himself as the principle in charge of the plan's audit and gave the results of the audit conducted on the fiscal year ending June 30, 2015. Mr. Rose referred to the draft of the completed audit and shared that increased scrutiny on certain disclosures requires more oversight and not finalized at the time of presentation. CLA was currently working with Mr. Hayden to obtain these disclosures and they will be finalized within the next two weeks. Mr. Kyle Rose then began 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 \$79,124,611, with plan liabilities of \$4,081,664, making the net value of the plan \$75,042,947, which is down \$473,590 from last year position of \$75,516,537, which is a little less than a percentage point decrease at 0.993. Mr. Rose moved on to explain the notes of the audit. However, Mr. Miller posed a question to Mr. Rose, concerning the net decrease in net position (\$473,590) what was that loss attributed to? Mr. Rose responded with the decrease in investments performance and the large amounts of payouts made by the Plan.

As Mr. Rose further explained the notes of the plan, Mr. Zinck asked if the assumptions changed each year and Mrs. Hupperts responded that they are reviewed on an ongoing basis, last time they were actually changed was on 7/1/2013.

Mr. Rose drew our attention to the – Investments which indicated the investments that represent 5 percent or more of the Plan net assets as of June 30, 2015:

Columbia Management Large Cap Enhanced Core	\$31,238,906
Acorn International Fund	7,454,845
Columbia Management Small Cap Index Z	7,454,845
State Street Global Advisor Money Market Fund	4,484,865

Mr. Rose then spoke of the Net Pension Asset of the College, what was reported as (\$4,120,130).

Then, Mr. Rose covered the Required Supplementary Information that fulfills the requirements of the GASB 67 and 68 requirements depicting the variance between 2014 and the 2015 data. As time moves forward we will have to indicate a maximum of ten (10) years of data; however information prior to 2014 isn't available. Only the years for which information is available has been shown.

## **INVESTORS' REPORT**

Columbia Management's Investment Presentation as of September 30, 2015.

Mr. James Wilkinson, Columbia Management, Senior Institutional Relationship Manager, began his presentation expressing the quarter ending September 30, 2015 by stating that this quarter has been a fairly bumpy ride.

The quarter started with the devaluation of the Chinese yuan in August 2015, thereby their growth was a drag on the markets across the world. So much so the Federal Reserve in September 2015 was considering raising interest rates, but because of the Chinese action reducing the value of dollars, they decided not to. Things are expected to stabilize in October 2015.

The S & P was down almost 7 percent in September 2015 at the end of the quarter. Equities had their largest fall off since the third quarter of 2011 when the Greek tragedy occurred. Inflation is under 2 per cent and is expected to stay there for a while.

The Federal Reserve continues to be in the spotlight and trying to determine when and if interest rates are going to be raised from zero. October job numbers were about 270K jobs were added, unemployment rate is at 5 per cent and last year at this time the unemployment rate was 6 per cent. The Federal Reserve will probably raise interest rates in December, 2015. What will happen in the future as far as how frequently and how much rates will be raised and what criteria the Fed will use is undetermined? In all likelihood interest rates are expected to get higher, very slowly. This change will enhance the equities markets and the price of bonds has significantly decreased at the hint of interest rates increasing.

The Plan started the quarter out at a little over \$75M, the net withdrawals were \$1.3M income earned was about \$450K the change in market value is at a deficit (3.5M) ending market value is a little under \$71M which is a loss of approximately \$4.5M for the quarter, a 1.3 per cent loss for the quarter, which is less than the benchmarks performed. The asset allocation remains the same, fixed income (39 per cent) small cap (10 per cent) large cap (39 per cent), and international funds (10 per cent), and cash (2 per cent) has not changed.

However there were some concerns about the performance of the ACORN International Fund and Mr. Wilkinson is seeking changes because it's performance. He is seeking alternatives and has brought two options to the committee's attention; Columbia International Opportunities Fund – Z, Columbia International Value Fund – Z in a 50/50 combination to replace the ACORN International Fund. After much discussion the NCERP committee agreed to Mr. Wilkinson recommendation to take the necessary steps to replace the ACORN International Fund with both the Columbia International Opportunities Fund and the International Value Fund – Z funds. Keeping well within the Plans investment guidelines.

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

Mr. Hayden reported that during the period of July 1, 2015 through September 30, 2015 there were two (2) new participants added to the Plan and five (5) separated from the College. Of those who separated from the college; their returned contributions and credited interest totaled \$23,144.31.

During the same period, six (6) Plan participants chose to retire. One (1) chose the Annuity Payments for Life Option and three (3) chose the Lump Sum Payment totaling \$415,396.09. Two (2) participant chose the 50 percent Annuity/50 percent Lump Sum method of payment.

Also, there were one (1) retirees who expired during this period who was receiving a monthly benefit pension; Mrs. Reva Freund, who worked at the Corporate Center on Wilson.

### **SUBMISSION OF BILLS**

Mrs. Lewis made a motion, and that motion was seconded by Mrs. White, 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 (7/01/15-09/30/15)	\$16,250.00
Columbia Threadneedle Investment Services (7/01/15-09/30/15)	\$32,368.25
Nadoz Café; September 24, 2015	\$ 162.10
Treat America Food Services – MC, August 12, 2015	\$ 92.85
State Street Bank and Trust Company (7/01/15 - 09/30/15)	\$ 1,855.15
State Street Bank and Trust Company (7/01/15 - 09/30/15)	\$ 18,728.87
CliftonLarsonAllen, LLC – Auditing Fees (10/09/15)	\$ 7,000.00

### **REPORT FROM ACTUARY**

Mrs. Julie Hupperts, Towers Watson Associate, began the Plan's annual actuarial valuation result as of July 1, 2015 by speaking to the report's 2014/2015 highlights:

- Asset experience
  - Actual asset return was 3.75 per cent on the market value of assets
  - Cumulative asset return was about 36 per cent over the past 3 years, versus expected cumulative return of about 23 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
    - 2015 COLA was 1.0 per cent
    - 2016 CPI is 0.1 per cent, result in no COLA increase 2015
  - Pay Increases
    - Valuation resulted in lower than the 4.25 assumptions
    - 2014/2015 pay increases for continuing actives were 1.6 per cent
  - Participants working longer than actuarial assumption
  - More retirees deaths than assumed
- Funded ratios
  - Accumulated Benefit Funded Percentage decreased from 134 per cent funded to 131 per cent funded
  - Total (past + future) benefits increased from 91 per cent funded to 92 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 3.03 per cent of pay vs. contribution rate of 4.00 per cent
    - 2014/2015 shortfall was about \$200,000.00
    - 2015/2016 surplus is expected to be about \$190,000.00
- Funded ratio remained level
- Surplus/Deficit
  - Surplus decreased slightly from 4.2 per cent of APVFB to 4.0 per cent of APVFB based on market value of assets
- Expected contributions vs. normal cost
  - First year of contributions surplus since 2008/2009
  - Normal cost is 3.03 of pay vs. contribution rate of 4.00 per cent
  - 2014/2015 shortfall about \$200,000
  - 2015/2016 surplus is expected to be about \$190,000
- Historical Results – NCERP Assets and Liabilities
  - We have come a long way since 2009
  - Just a small difference between 2014 – 2015 liabilities are less but assets are also a little less
- Historical Results – Plan Surplus/(Deficit)
  - Actuarial value basis for the first time in many year reflect in positive territory for 2015
  - Market Value Basis has slipped to 3.2 from 3.5 last year

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 2015 and as we can see is far greater than the previous 5 years.

### **UNFINISHED BUSINESS**

Cost of Living Allowance: Mr. Hayden provided a recap concerning the COLA increase for 2016 by indicating the CPI increased only .01 of a per cent and the NCERP committee have determined the low increase does not out weight the administrative cost incurred. So, no COLA increase will be provided for eligible NCERP retirees in 2016. He further informed that the Social Security Administration is not providing a COLA increase, either; nor is the federal government offering a COLA increase to its retirees.

### **NCERP's Operational Budget – Ending September 30, 2015– James Hayden**

The original budget for the 2015-2016 fiscal year was \$419,774.00 and as of, September 30, 2015, with the deduction of all approved expenditures and the encumbered expenses of \$95,938.65, the remaining balance for the quarter is \$323,835.35.

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. He went on to explain a little about executive sessions, if we as a committee needs to discuss personal issues involving salaries, or real-estate, we have to go into executive session to do so. The committee can make a decision to do so and prepare an separate agenda with a notice to all participants and provide a public notice of going to go into executive session, or the committee can place it on the agenda each meeting, so, if there is a need to go into executive session it can be done. Either option is correct. Mrs. Lewis wanted more NCERP committee members present to discuss so a course of action can be determined by reaching a consensus.

### **NEW BUSINESS**

#### **Plan Improvements – Mrs. Hupperts**

Mrs. Hupperts spoke on behalf of the Plan's actuary, Towers Watson, and feels the Plan should stay to course and she would not recommend any Plan benefit improvements at this time. Plan is very well funded but not over funded enough to make any changes.

Adjournment

Mrs. Ruth Lewis, vice chairperson, and for a motion from the floor, to adjourn the meeting and Mrs. Robinson made provided the motion to adjourn and Mrs. White seconded the motion and the motion carried. Next meeting will be tentatively scheduled on February 11, 2015 at the Cosand Center.

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Chairman

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Date

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Administrator

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Date