

NON-CERTIFIED EMPLOYEE RETIREMENT PLAN (NCERP)

COMMITTEE MEETING

November 9, 2016

MINUTES

CALL TO ORDER

Mrs. Calla White, chair of the NCERP committee, called the regular meeting of the NCERP Committee to order at 9:18 a.m., in the Training Center, Room: TC-110/116, at the Florissant Valley campus, on November 9, 2016.

Members Present

Calla White, Vice Chair
Keisha Robinson
Kevin White
Ruth Lewis
Celeste Metcalf
Bill Miller

Others Present

Julie Hupperts (Towers Watson)
James Hayden, Plan Coordinator
Don Schisler (Towers Watson)
Jim Wilkinson (Columbia Management)
Irick Thurmond (KPM, CPAs & Advisors)
Tim O'Neill

COMMENTS FROM PARTICIPANTS

None

APPROVAL OF MINUTES

Regular Meeting Minutes of August 10, 2016

The chair, Mrs. Calla White requested a motion from the floor to approve the regular meeting minutes from August 10, 2016, Mrs. Ruth Lewis provided the motion and the motion was seconded by Mrs. Keisha Robinson, the motion carried.

KPM CPA & ADVISORS' ANNUAL AUDITOR's REPORT

Mr. Irick Thurman, KPM, CPAs & Advisors (KPM), Springfield, Missouri, introduced himself to the committee and indicated this is the first year KPM is auditing the Plan. Expressed his thanks to Mr. Hayden in assisting in getting to him and his firm exactly what they needed to complete the audit.

Briefly, Thurman illustrated how the audit works; at the end of the Plan year Mr. Hayden obtains end of year statement from the trust agency (State Street Retirement Services), Hayden then collects end of year data and ensures the actuarial report is completed by the Plan's actuary (Willis Towers Watson). Once the finalized actuarial report is received from the actuary,

Hayden then provides the finalized actuary report to C-BIZ, another KPM agency, who then prepares the annual financial statements.

Prior to the audit's beginning Mr. Thurman points out he then would acquire knowledge and develops a clear understanding of the policies of the plan and prepares trial balances, test key balances, contributions testing, check the payroll system, test distributions and investment transactions. Financial statements from C-BIZ are obtained and provided to KPM, then reconciled with KPM's statements with emphasis on any irregularities. Then KPM issue an opinion with recommendations if or when necessary. A clean report has been issued with no irregularities. There were no findings as a result of comparing all the data received.

Thurman wanted the committee to know that the audit entailed only samplings of all the data reviewed. Once again he reiterated this audit revealed a clean report without any significant problems.

Thurman focused on page 4 of the audit report and it revealed the net assets for the fund at the beginning of the year \$75,042,947, with plan liabilities of (\$3,422,610), making the net value of the plan \$71,721,623.

Mr. Thurman covered the actuarial assumptions and indicated they are predetermined and are utilized by the actuaries to prepare their annual actuarial report. These assumptions are found on page 8 of the audit report. Then he brings the committee's attention to page 10 of the auditor's report which breaks down all the investments of the Plan by category of investments, by custodial credit risks, interest rate risk, and credit risk.

GASB 68 requirement, page 22 of the audit report, requires some special attention to the reporting of the college net pension liability over the last 10 years and this list will grow over time. But as for now, we are only reporting 2014, 2015, and 2016 because that is all the data that is available since the requirement's implementation.

Mr. Thurman asked if there were any questions on the financials. There not being any, Mr Thurman continued indicating there were two letters issued (1) Award Governance Letter, with no significant findings were mentioned. (2) Management Letter provided with two minor findings; (a) mistake found on trust's statement – what should have been identified as employee's contributions were added to the employer's contributions. Trust agency (State Street Trust Services issued letter identifying the error as being on their behalf; (b) an inaccuracy was found in the request for benefits form, in that information mentioned on front of form wasn't consistent with what was printed on the back. This small irregularity was pointed out to Mr. Hayden and he has since corrected the issue. He then thanked Mr. Hayden for his dedication is assisting with the audit and Mr. Hayden praised Mr. Thurman for his professionalism and was easy to work with on the first audit being completed by KPM.

Mr. O'Neil brought attention to page 23 of the audit, first column identifies 2016's Actuarially Determined Contributions were \$589K and the previous six (6) years were over \$1M. Mr. Thurman indicated he would have to look into this situation and provide a response.

INVESTORS' REPORT

Columbia Management's Investment Presentation as of September 30, 2016.

Mr. James Wilkinson, Columbia Management, Senior Institutional Relationship Manager, began his presentation expressing the quarter ending September 30, 2016 by stating that this quarter has been a fairly bumpy ride. As an example last night's presidential election was not much different; markets began to rise as the DOW was up 600 point anticipating Senator Clinton would be the next President of the United States, however, as the polls turned towards president-elect Trump's favor the market began to trend downward. The DOW was reported to be down over 900 points and then the market worked its way back by the closing of the election polls and as of this morning the DOW was only down by 20 points. The market started out with Brexit providing market volatility and has since then rebounded back to positive territory.

Also, the Brexit was a component in last quarter's market volatility, but the market rallied back and gained positive ground. Infrastructure rebuilding is predicted to take place in the near future so construction companies are expected to benefit from the new president-elect's agenda. However; there are many things that will be needed to be ironed out with the new administration. Volatility is expected to continue in the near future, but sustained growth are anticipated to stabilize once the new administration is in full affect.

Some things will not change, Gross Domestic Product (GDP) growth rate is still in the 2 per cent range, preliminary 3rd quarter GDP growth predictors are at 1.5 per cent. Inflation seems to be increasing at 1.8 per cent level. The October 2016 jobs report added 165,000 new jobs to the economy with the unemployment rate presently at 4.9 per cent. The general expectation is the Federal Reserve will tighten interest rates another .25 basis points. In the beginning interest rates were .0 percent for a long period, then to .25 per cent for a while, and we are anticipating another .25 per cent sometimes next year.

The Plan started the quarter out at \$71,824,738 the net withdrawals were (\$2,783,064) income earned was at \$337,788 and the change in market value was \$2,024,320, a gain of 3.36 per cent, ending market value was at \$71,403,782. The Plan's payouts were more than the gains for the quarter, and this explains why we almost broke even for the quarter.

The asset allocation remains basically the same, fixed income (36 per cent) small cap (11 per cent) large cap (39 per cent), and the CMPF Select International Equity Fund (5%) and the CMPF Overseas Value Fund (5%) and cash (4 per cent) has not changed. This portfolio allocation worked in the past and has been the primary reason for the Plan's stability. Over the long haul the Plan has done well. Year to date gains are at 6.23 per cent, 1 year gains 9.74 per

cent, 3 year gains at 7.19 per cent, 5 year gains at 10.48, 10 year gains 6.43 per cent, and since Plan inception 9.05.

Mr. Miller asked the question if there will be any volatility between the president-elect's victory and 6 months thereafter, and what will be the impact on this Plan. Mr. Wilkinson answers by saying after a while things will settle down, then there will be an event, some type of legislature event that is unexpected will cause markets to shifts. He further explained the Trump administration is beholding to no one, no special interest groups or party affiliation they are trying to serve, they have expressed on many occasion that they are looking out for the working class people. Investors are politically agnostic and it is way too early to tell. The asset allocation for this Plan is of such that we will have earnings in volatile times as well as earnings in a less volatile market.

Mrs. Metcalf asked if what is reported as the international funds on the charts on page 8 indicate the only international exposure. Mr. Wilkinson answered with a resounding "yes". Mrs. Metcalf was interested in knowing if the poor performance was impacted by Brexit. Mr. Wilkinson says the announcement of Brexit was a bump in the road, but not until its full implementation we will have a clearer view of the consequences, so we have to wait and see, somewhat of a gray area at this point.

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

Mr. Hayden reported that during the period of July 1, 2016 through September 30, 2016 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 \$14,991.83.

During the same period, eight (8) Plan participants chose to retire. Three (3) chose the Annuity Payments for Life Option and four (4) chose the Lump Sum Payment option totaling \$415,396.09. One (1) 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. June Gill, who worked at the Meramec.

SUBMISSION OF BILLS

Mrs. Calla White made a motion, and that motion was seconded by Mrs. White, to ratify the payment of the four (4) 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)	\$31,369.09
Panera Bread Company – Refreshments at MC (August 10, 2016)	\$ 149.87
State Street Bank and Trust Company (7/01/15 - 09/30/15)	\$ 1,907.20
State Street Bank and Trust Company (7/01/15 - 09/30/15)	\$ 0.00*

*Billing could not be provided by the Trust/Custodian for the Plan “State Street”

REPORT FROM ACTUARY

Mr. Don Schisler, Management Consultant, Willis Towers Watson, provided the actuarial report for Mrs. Julie Hupperts who was unable to attend. Mr. Schisler began the Plan’s annual actuarial valuation result as of July 1, 2016 by speaking to the report’s 2015/2016 highlights:

- Asset experience
 - Actual asset return was 1.4 per cent on the market value of assets
 - Cumulative asset return was about 22 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 4.25 per cent per year
 - 2016 COLA was 0.0 per cent
 - 2017 CPI is 1.0 per cent, result in COLA increase 2017
 - Pay Increases
 - Valuation resulted in lower than the 4.25 assumptions
 - 2015/2016 pay increases for continuing actives were 2.6 per cent
 - Participants working longer than actuarial assumption
 - Several deferred vested were refunded contributions
- Funded ratios
 - Accumulated Benefit Funded Percentage decreased from 131 per cent funded to 125 per cent funded
 - Total (past + future) benefits increased from 92 per cent funded to 89 per cent funded (100% would be an over estimation)
- Expected contribution vs. normal cost
 - Expected college contributions for 2015/2016 remain less than normal cost (“actuarially required contribution”)
 - Contribution shortfall has existed ever since 2009/2010

- 2014/2015 shortfall was about (\$189,000.00)
 - 2015/2016 surplus is expected to be about (\$390,000.00)
- Funded ratio decreased modestly
- Surplus/Deficit
 - Surplus decreased significantly \$3.2M (4.0% per cent of APVFB) to \$0.2M (\$0.2 % of APVFB) based on market value of assets
- Expected contributions vs. normal cost
 - Expected college contributions for 2016/2017 greater than the normal cost
 - Second consecutive year of contribution surplus
 - 2016/2017 normal cost is 1.90% of pay vs. contribution rate of 4.00%
- 2017 COLA
 - Based on growth in CPI for the 12 months ended June 2016
 - Index increased by 1.0 over this period
 - Since increase less than 4.0 per cent, the board will have to vote on potential COLA
 - Committee voted to recommend 1 per cent increase to board at the November 17, 2016 meeting
 - Recent increases
 - 2012; 3.6% increase; CPI 3.6%
 - 2013; 1.7% increase; CPI 1.7%
 - 2014; 1.0% increase; CPI 2.2%
 - 2015; 1.0% increase; CPI 2.2%
 - 2016; 0.0% increase; CPI 0.1%

Mr. Schisler asked for any questions, there not being any, we moved on.

UNFINISHED BUSINESS

Cost of Living Allowance: Mrs. White updated the committee with the announcement of the NCERP committee has decided to submit to the Board of Trustees an increase for all eligible retirees for a 1 per cent COLA increase, beginning on January 1, 2017. The board of trustees will approve/disapprove the COLA increase at their November 17, 2016 meeting.

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

The original budget set and approved for the 2016-2017 fiscal year was \$428,560.06 and as of, September 30, 2016, with the deduction of all approved expenditures and the encumbered expenses of \$69,370.50, the remaining balance for the quarter is \$359,159.50.

NCERP Reports: Mr. Hayden reported the past quarter with have to accomplish the Request for Proposal for investment/asset management was a tough one. Participants seemed over joyed to

receive their retirement benefit. Have been assisting the Human Resources department with accomplishing some HR on campus meetings. A participant has questioned the aspect of utilizing highest salaries in a career versus highest salaries in the last 10 years in the retirement benefit calculation. He was told that the NCERP committee has looked into the proposed change and discovered that only a very limited amount would benefit from this change and did not warrant a change. Less than 3 people were affected. No further action necessary.

Investment Management RFP discussion/approval: Mrs. Metcalf indicated that over the past quarter she and Mr. Hayden, working with Mrs. Green, Controller's Office, have finalized an RFP for the investment management services. She indicated that since we have a suspense of June 30, 2017, we need and answer any questions and approve the RFP so we may continue the process and to post the RFP. Mrs. White questioned the suspense date of June 30, 2017 and after much discussion the general consensus concluded that the committee does not have a RFP suspense date. Vendor services can be terminated with a 30 day notice by either party as per our third party contract indicates. Mr. Miller injected that although the suspense is not an issue, the NCERP committee should be concerned that these services have never been let for bid and it is very practical to do so. After much discussion it was determined that the RFP is approved for use by vote, and the committee came to the conclusion that they do understand where the urgency comes from concerning this item and it will be discussed further at the next quarterly committee meeting.

NEW BUSINESS

Plan Improvements – Mr. Schisler

Mr. Schisler spoke on behalf of the Plan's actuary, Willis 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. The NCERP committee agreed they would stay the course without making any changes.

Adjournment

Mrs. Calla White chairperson, asked for a motion from the floor, to adjourn the meeting and Mrs. Robinson provided the motion to adjourn and Mr. White seconded the motion and the motion carried. Next meeting will be tentatively scheduled on February 15, 2017 at the Cosand Center.

Chairman

Date

Administrator

Date