

## MINUTES

### POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANAS CITY BOARD MEETING

Tuesday, January 12, 2010 at the Police Training Academy

Gary Howell called the meeting to order.

#### PRESENT:

Gary Howell, Member

Gerald Gorman, Attorney

Bailus Tate, Member

James Pyle, Staff

Kenny Burnett, Member

Sharon Blancett, Staff

Vic Kauzlarich, Member

Greg Mills, Member

Dave Reyburn, Member

Pat Trysla, Member

Angela Wasson-Hunt, Member

#### SECRETARY REPORT:

#### RETIREMENT SYSTEM FUNDED STATUS OVERVIEW

Mr. Pyle presented a short review of the funded status of the Police plan and Civilian Employees' plan that included the results of the FY 2009 actuarial valuations that were prepared by Milliman, Inc., the retirement system actuary. Mr. Pyle reviewed current and future projections of funded ratios for both retirement plans with no changes to contributions, investment earnings or benefit payments.

The April 30, 2009 valuation for the Civilian Employees' plan showed actuarial assets of \$86.3 million and liabilities of \$124.9 million for a funded ratio of 69%. From 2008 to 2009 the market value of assets decreased by 25% from \$96.6 million to \$71.9 million. The current contribution rate from the city is 13.14% of payroll. The actuarial required contribution rate for the current year is 14.27% and will increase to 18.87% next fiscal year.

The April 30, 2009 valuation for the Police plan showed actuarial assets of \$641.1 million and liabilities of \$893.5 million for a funded ratio of 72%. From 2008 to 2009 the market value of assets decreased by 25% from \$734.3 million to \$534.3 million. The current contribution rate from the city is 19.7% of payroll. The actuarial required contribution rate for the current year is 26.22% and will increase to 36.76% next fiscal year.

Using a model prepared by Milliman Mr. Pyle reviewed projected funded ratios for both plans assuming a 19% return on investments in FY 2010 and the assumed 7.75% return through 2037. Last year's losses will all be fully recognized by 2012 and the funded ratios are expected to decline to the low 60% range and stay that way for the next 20 years. An assumed 4% increase in contributions from 2011 to 2037 would improve the funded ratios over time but would not return them to above 75%. Board policy prohibits the Retirement Board from granting a cost of living increase when the funded ratio is below 75%.

Mr. Howell said the retirement systems and members are already feeling the effects of the market losses. The Retirement Board will not be given the opportunity to grant a cost of living increase in 2010. Without increases in investment returns or contributions, or decreases in benefits paid, current information leads the Retirement Board to believe it will be years before the retirement systems can financially support another cost of living increase.

### 2010 PROPOSED LEGISLATION

Mr. Pyle said staff and the board had continued to work on legislative proposals for 2010, Milliman had determined if the changes would produce any actuarial gain or loss for the systems and members had asked lots of questions and provided their comments on many of the proposed changes. Mr. Pyle said no legislation was final. The proposals had not been adopted by the Retirement Board and the board had not reviewed any of the proposals with the Police Department, Board of Police Commissioners, the City Council Legislative Committee, or any legislators in Jefferson City.

The proposed legislative changes are listed below and public comments were heard by the board following an explanation of each proposed change. The highlighted sections following the proposed changes include the board motion and vote for each of the legislative proposals.

Mr. Howell said the Retirement Board will proceed with the legislative items that were approved today for introduction during the 2010 legislative session. The items that were not approved by the board will be part of discussions with plan members, the Police Department, and Board of Police Commissioners for Tier II plans that will be researched by retirement board staff during the next year. Several public retirement plans have Tier II plans, which only cover new hires after some future date, to help slow the growth of liabilities and provide a different level of benefits from the current defined benefit plans.

### Police Plan

<b>Description of Change</b>	<b>Proposed Changes</b>
1) Create new consolidated disability statute.	<p>Add a new disability section that combines duty and non-duty disability benefits into one section. Restrict the current duty disability benefit at 75% of final average salary to total and permanent disabilities. Create a new duty disability benefit at 50% of final average salary for those unable to perform the full and unrestricted duties but not totally and permanently disabled.</p> <p>Members eligible for a non-duty disability must have 10 years of creditable service prior to the initial evaluation by the medical board.</p> <p>Disability benefits shall not be less than the amount of an earned age and service benefit.</p>

	<p>Restrict diagnosable psychiatric disorders, non-objective soft tissue disorders which do not result in paralysis, and injuries or illnesses from pre-existing conditions to non-duty disabilities.</p> <p>Members disabled due to own negligence, willful self infliction, or indulgence of alcohol, narcotics or other substance abuse shall not be eligible for any disability benefit.</p> <p>Medical board shall determine if the disability exists and the disability benefit. Upon such determination the member shall be retired by the BOPC.</p> <p>Actuarial gain of 1% to 1.25% of payroll (\$935,000 to \$1.16million in contributions).</p> <p>Mr. Reyburn made the motion to table this proposal and not include it in any legislation submitted for 2010. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>2) Increase the age and service requirement for any retirement with less than 25 years of service. Members can currently retire under the following provisions:</p> <p>Upon reaching age 60 with 10 years of service. At age 60 the Chief of Police can allow the member to stay until age 65. At age 65, any member with less than 30 years of service must retire and is eligible for a benefit if they have more than 10 years of service.</p> <p>Any member who terminates employment with 15 years of service may receive retirement benefits at age 55.</p>	<p>Upon reaching age 62 with 15 years of service. At age 62 the Chief of Police can allow the member to stay until age 65. At age 65, any member with less than 30 years of service must retire and is eligible for a benefit if they have at least 15 years of service.</p> <p>Any member who terminates employment with 15 years of service may start drawing a benefit at age 62.</p> <p>No measurable actuarial gain or loss.</p> <p>Mr. Reyburn made the motion to table this proposal and not include it in any legislation submitted for 2010. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>

<p>3) Change start date of pension from day after last day on payroll to first of the month following the month when the member retires.</p> <p>Clarify when pension and supplemental benefits stop following the death of a member or surviving spouse</p>	<p>Add administrative section that defines when pensions start and stop and when benefits are paid. Allow for beneficiary to receive final benefit payment.</p> <p>For retirements after August 2010 pension and supplemental benefits will start on the first of the month following the month when the member retires.</p> <p>No supplemental benefit or prorated retirement benefit will be paid for the month in which the member retires.</p> <p>When a retired member or surviving spouse dies after August 2010:</p> <ol style="list-style-type: none"> <li>1) The retirement benefit of a member, without a surviving spouse, will be prorated in the month of the member's death. In any month where a benefit is prorated there will be no supplemental benefit.</li> <li>2) The retirement benefit of a surviving spouse will be prorated in the month of his or her death. In any month where a benefit is prorated there will be no supplemental benefit.</li> <li>3) The benefit of a member, with a surviving spouse, will be prorated and the surviving spouse benefit will be effective the day following the death of the member. In the month of a member's death the surviving spouse shall receive the supplemental benefit.</li> </ol> <p>Benefits will be prorated in the month of the member's or surviving spouse's death. No supplemental benefit shall be paid in the month a retirement benefit is prorated except when a member dies with an eligible surviving spouse.</p> <p>No measurable actuarial gain or loss. There is a need for statutory direction on benefit payments when a member or surviving spouse dies. A change in the start date for pension benefits and supplemental benefit will provide for consistent payment schedule and help standardize retirement dates.</p>
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	<p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>4) Delete the provision that allows a member to not lose creditable service during a leave of absence of less than 30 days.</p> <p>Change the provision that allows a member to purchase creditable service for a leave of over 30 days at the member contribution rate.</p>	<p>After August 2010 a member shall not receive creditable service for any period without compensation, except for military leave.</p> <p>Members may purchase creditable service for leaves of absences, at the actuarial cost, any time prior to retirement.</p> <p>No measurable actuarial gain or loss. The proposed change stops granting creditable service when no employee or employer contributions are received. Milliman recommends service purchases at actuarial cost.</p> <p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>5) Change the provision that allows members who terminate service and receive a refund of member contributions, who then return to the KCPD and restore their prior service by paying the refunded contributions plus any gains or losses.</p>	<p>Members may purchase prior service, after August 2010, by paying the member's portion of the actuarial cost any time prior to retirement.</p> <p>No measurable actuarial gain or loss. Milliman recommends service purchases at actuarial cost.</p> <p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>6) Delete the provision that allows children over the age of 18 who are mentally or physically incapacitated to receive a surviving spouse benefit.</p>	<p>When a member dies without an eligible surviving spouse, or upon the death of an eligible surviving who is receiving benefits, only children under the age of 18 shall be eligible to receive a surviving spouse benefit.</p> <p>No measureable actuarial gain or loss.</p> <p>Mr. Reyburn made the motion to table this proposal and not include it in any legislation submitted for 2010. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>

## Civilian Employees' Plan

Description of Change	Proposed Changes
<p>1) Increase the age and service requirement for certain retirements. Members can currently retire under the following provisions:</p> <p>Upon completing the later of age 65 or 10 years of service, a member may retire with unreduced benefits.</p> <p>Upon reaching age 60 with 10 years of service, a member may retire with unreduced benefits.</p> <p>At any time the member's total age and service equal or exceed 80, a member may retire with unreduced benefits.</p> <p>Beginning at age 55 with 10 years of service, a member may retire with reduced benefits.</p> <p>Beginning at age 60 with 5 but not more than 10 years of service, a member may retire with reduced benefits.</p> <p>Any member who terminates employment with 5 or more years of service may receive unreduced retirement benefits at their normal retirement date or reduced retirement benefits at their first eligible date.</p>	<p>Members can retire under the following provisions:</p> <p>Upon completing the later of age 65 or 10 years of service, a member may retire with unreduced benefits.</p> <p>Upon reaching age 62 with 15 years of service, a member may retire with unreduced benefits.</p> <p>Beginning at age 55 any time the member's total age and service equal or exceed 80, a member may retire with unreduced benefits.</p> <p>Beginning at age 62 with 10 but not more than 15 years of service, a member may retire with reduced benefits.</p> <p>No pension benefits with less than 10 years of service.</p> <p>Any member who terminates employment with 10 or more years of service may receive unreduced retirement benefits at their normal retirement date or reduced retirement benefits at their first eligible date.</p> <p>Actuarial gain of 1% of payroll (\$287,000 in contributions).</p> <p>Mr. Reyburn made the motion to table this proposal and not include it in any legislation submitted for 2010. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>

<p>2) Change start date of pension from day after last day on payroll to first of the month following the month when the member retires.</p> <p>No changes are necessary for the month in which the member dies since the benefit payment stops in the month of the member's death and the benefit payment is made on the first day of the month.</p>	<p>Add administrative section that defines when pensions start and when benefits are paid.</p> <p>For retirements after August 2010 pension and supplemental benefits will start on the first of the month following the month when the member retires.</p> <p>No supplemental benefit or prorated retirement benefit will be paid for the month in which the member retires.</p> <p>No measurable actuarial gain or loss. A change in the start date for pension benefits and supplemental benefit will provide for consistent payment schedule and help standardize retirement dates.</p> <p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>3) Change the provision related to interest paid on the refund of member contributions.</p>	<p>After August 2010 allow the retirement board to determine if any interest will be paid on the refund of member contributions.</p> <p>No measurable actuarial gain or loss. Change will clarify existing language related to interest on refunds.</p> <p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>4) Add the provision that allows a member to purchase creditable service for a leave of absence.</p> <p>A member shall not receive creditable service for any period without compensation, except for military leave.</p>	<p>After August 2010 a member may purchase creditable service for leaves of absences, at the actuarial cost, any time prior to retirement.</p> <p>No actuarial gain or loss. Change will allow members to purchase service for a leave of absence. Milliman recommends service purchases at actuarial cost.</p> <p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>5) Change the provision that allows members who terminate service and receive a refund of member contributions, who then return to the KCPD and restore their prior service by paying the refunded</p>	<p>Members may purchase prior service, after August 2010, by paying the member's portion of the actuarial cost any time prior to retirement.</p>

<p>contributions plus any gains or losses.</p>	<p>No measurable actuarial gain or loss. Milliman recommends service purchases at actuarial cost.</p> <p>Mr. Reyburn made the motion to include changes in 2010 legislation. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>6) Change years of creditable service for a lump sum refund.</p>	<p>Whenever a member has less than 10 years of creditable service and terminates employment with the KCPD the member shall receive a lump sum payment of their member contributions.</p> <p>No measurable actuarial gain or loss.</p> <p>Mr. Reyburn made the motion to table this proposal and not include it in any legislation submitted for 2010. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>
<p>7) Change the minimum amount of non-duty disability retirement benefit from 30% of final average salary. Add new disability provisions that were added to the Police statutes.</p>	<p>Change the minimum amount of a non-duty disability retirement benefit to 20% of final average salary.</p> <p>Members eligible for a non-duty disability must have 10 years of creditable service prior to the initial evaluation by the medical board.</p> <p>Restrict diagnosable psychiatric disorders, non-objective soft tissue disorders which do not result in paralysis, and injuries or illnesses from pre-existing conditions to non-duty disabilities.</p> <p>Members disabled due to own negligence, willful self infliction, or indulgence of alcohol, narcotics or other substance abuse shall not be eligible for any disability benefit.</p> <p>No measurable actuarial gain or loss.</p> <p>Mr. Reyburn made the motion to table this proposal and not include it in any legislation submitted for 2010. Ms. Wasson-Hunt seconded the motion which passed unanimously.</p>

SECRETARY'S UPDATE**Health Insurance Premium Holiday**

Mr. Pyle said the Police Department has earned a refund from BlueCross BlueShield of Kansas City because claims experience in fiscal year 2009 was lower than expected. The refund will be used to pay one month of health insurance premiums for both active and retired members enrolled in Preferred Care Blue, Blue Care Option 1, and Blue Care Option 2.

Retired members having premiums deducted from their monthly pension benefit, for the three plans listed above, will not have a premium deducted from their January 29/February 1 benefit payment if they are on COBRA or from their February 26/March 1 benefit payment for all other eligible retirees. The premium holiday does not apply to members subscribing to Medicare Part D or F through BlueCross BlueShield of Kansas City who have that premium deducted from their monthly pension benefit.

**2009 Annual Disclosure Statements**

Mr. Pyle distributed the board and staff annual disclosure statements required in the Code of Conduct and Gifts Policy. Completed forms are due in January and will be available for review in the Retirement System Office.

**Office Space**

Major Jerry Gallagher reviewed drawings of the Retirement System office space at the KCPD South Patrol/Special Operations Multipurpose Building with the Retirement Board.

OMNIBUS MOTION

Mr. Tate made the following motion, seconded by Mr. Kauzlarich. Motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:  
 The minutes of the previous meeting of December 8, 2009;  
 The monthly financial statements for November 2009;  
 The payment of bills as listed in the Secretary's Reports for this meeting;  
 The return of contributions to those persons, who have resigned or terminated service, as listed in the Secretary's Reports for this meeting;  
 The purchases and sales of assets as listed in the Secretary's Reports for this meeting;  
 The payment or commencement of pensions or other benefits as listed in the Secretary's Reports for this meeting; and  
 Any purchases of creditable service as listed in the Secretary's Reports for this meeting.

PUBLIC COMMENTS

A time was set aside for public comments.

**ADJOURNMENT**

The next regularly scheduled board meeting will be February 9 at 9:00am at the KC Police Credit Union.