

## MINUTES

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

Tuesday, April 13, 2010

Gary Howell called the meeting to order.

#### PRESENT:

Gary Howell, Member

Bailus Tate, Member

Kenny Burnett, Member

Vic Kauzlarich, Member

Patrick Trysla, Member

Angela Wasson-Hunt, Member

Gerald Gorman, Attorney

James Pyle, Staff

Sharon Blancett, Staff

Connie Davis, Staff

Anna Vollenweider, Staff

#### SECRETARY REPORT:

##### RECOGNITION OF ROBERT TURGEON AND ROBERT EVANS

The Retirement Board recognized Robert Turgeon for his 43 years of service on the Retirement Board and Robert Evans for his 37 years of service on the Retirement Board. Board members, staff, and Mr. Turgeon and Mr. Evans recounted the many changes to assets, benefit payments, investment options, and benefit improvements that took place during their tenure on the Retirement Board.

##### SECRETARY'S UPDATE

###### **2010 Legislation**

Mr. Pyle said a hearing on House Bill 2162 was scheduled for this afternoon in the House Retirement Committee. This is the first time the Retirement Committee has met to hold hearings on bills that were introduced during this session of the General Assembly.

###### **FY 2011 Interest Rate for Civilian Plan Refunds**

Mr. Pyle said last fall the Retirement Board reviewed interest rate provisions for refunds to members terminating employment, and requesting a refund of their member contributions, from the Civilian Employees' plan. The board asked to revisit the interest rate prior to the start of FY2011. For refunds of member contributions, interest is calculated at the end of each fiscal year the plan holds the contributions. The current interest rate was set for the fiscal year ending in April 1999 at 3%.

Mr. Pyle said any change to the interest rate would only affect the calculation for future balances. If a member started in 2005 and left in 2011, interest on contribution balances at the end of fiscal years 2005 through 2010 would be 3%. Interest on the balance for the fiscal year ending in April 2011 would be calculated at the new rate.

Federal Reserve records show that during the past two years, six month certificate of deposit rates have been below 3%. Mr. Kauzlarich made the motion to set the interest rate for Civilian plan refunds, for FY2011 at 0.25%. The motion was seconded by Ms. Wasson-Hunt. Discussion followed to have the interest rate set each year, without additional board action, using the one-year Treasury bill rate. Mr. Tate amended the motion to reset the interest rate for each new fiscal year using the prior fiscal year end one-year Treasury bill rate. The amended motion was seconded by Ms. Wasson-Hunt. The motion to amend and the amended motion passed unanimously.

### **FY2010 Retirements**

Mr. Pyle reviewed FY2010 retirements, contributions, and benefit payments. In the Civilian Employees' plan we expect to process 24 retirements in the current fiscal year. Over the past ten years, we have averaged ten civilian retirements per year with the previous high being 19 retirements in 2005. Member and city contributions to the Civilian plan from May 2009 to February 2010 are 3.9% below the same period from the prior year, for a decrease of \$120,000. Total monthly pension payments are up 19% from the prior year period, an increase of \$569,000.

In the Police plan we expect to process 29 retirements in FY2010. Over the past ten years we have averaged 20 retirements per year with the previous highs being 45 retirements in 2001 and 35 in 2002. Member and city contributions to the Police plan from May 2009 to February 2010 are equal to the same period from the prior year. Total monthly pension payments are up 4% from the prior year period, an increase of \$1.4 million.

### **Securities Lending Update**

Mr. Pyle said Northern Trust has issued a final reversal of the securities lending collateral deficiency, eliminating the liabilities we have carried since September 18, 2008. The long term liabilities were eliminated on March 15, 2010 with reversals of \$37,991 in the Civilian Employees' plan and \$297,538 in the Police Plan. Year to date our net income from securities lending is \$47,000 in the Civilian Employees' plan and \$278,000 in the Police plan. Mr. Howell said current bond investments in the securities lending collateral pool are of higher quality and shorter duration than the bond investments made prior to the 2008 credit crisis.

### **WADDELL & REED INVESTMENT MANAGER REVIEW**

Mark Seferovich, Gil Scott, and Nikki Newton of Waddell & Reed presented a portfolio overview and discussed the transition to Mr. Scott as the portfolio manager following Mr. Seferovich's retirement, later this year.

Mr. Seferovich said three changes have led to the investment markets behaving differently over the past ten years than they did during the previous twenty years. 1) Banks entering the market place as investment institutions; 2) Computer models used to identify anomalies and correlations in the markets; and 3) The electronic trading of billions of shares a day. Mr. Seferovich said now is a good time for him to leave Waddell & Reed because he prefers to buy a company that is valued for good solid business practices and earnings and have its share prices increase. Instead what he is seeing in the market today are companies without solid business practices and earnings that should probably fail, being bailed out and then rewarded by investors with higher share prices.

Mr. Scott was named portfolio manager for the institutional small cap growth fund and has been working full time on the fund since April 1. For the past six years, Mr. Scott has managed Waddell & Reed's small cap mutual funds. The asset size of the institutional fund and mutual funds are similar at \$1.6 billion each. The institutional fund has 25 clients while there are 10,000 mutual fund investors. The small cap team of portfolio managers and analysts will stay the same following Mr. Seferovich's retirement.

Mr. Scott said his investment process and philosophy is very similar to that of Mr. Seferovich. The differences in their portfolios, over the last few years, are that Mr. Scott tends to carry less cash, invests in more sectors and industries, and invests in a wider variety of consumer stocks.

Following the Waddell & Reed presentation Bill Miskell from DeMarche said they met with Mr. Scott and were comfortable with the transition at this time. Mr. Miskell said by moving their best portfolio manager to the institutional fund, Waddell & Reed is telling institutional investors that they are a high priority.

#### OMNIBUS MOTION

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

RESOLVED, that the Retirement Board hereby unanimously approves:  
The minutes of the previous meeting of March 9, 2010;  
The monthly financial statements for February 2010;  
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 May 11 at 9:00am at the KC Police Credit Union.