

MINUTES

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

Tuesday, September 8, 2009

Gary Howell called the meeting to order.

PRESENT:

Gary Howell, Member	Angela Wasson-Hunt, Member
Kenny Burnett, Member	Gerald Gorman, Attorney
Greg Mills, Member	James Pyle, Staff
Vic Kauzlarich, Member	Sharon Blancett, Staff
Dave Reyburn, Member	Connie Davis, Staff
Bailus Tate, Member	Anna Vollenweider, Staff
Patrick Trysla, Member	

SECRETARY REPORT:

OATH OF OFFICE FOR PATRICK TRYSLA

Mr. Howell introduced Patrick Trysla as a new Retirement Board member appointed by the Board of Police Commissioners. Mr. Trysla was appointed to the Retirement Board as the Republican member replacing Robert Turgeon who served on the board for 43 years.

Mr. Trysla recited the oath of office and was sworn in, by Mr. Howell, as a member of the board for the Police Retirement System of Kansas City, Missouri and Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

NOMINATION AND ELECTION OF BOARD TREASURER

Greg Mills nominated Bailus Tate to serve as Retirement Board Treasurer, replacing Mr. Turgeon. There were no other nominations for Board Treasurer. The motion was seconded by Mr. Kauzlarich and passed unanimously.

Mr. Pyle presented bank resolutions for Northern Trust and United Missouri Bank adding Mr. Tate to the signature cards for the Police Retirement System of Kansas City, Missouri and Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri accounts at both banks. Mr. Kauzlarich made the motion to adopt all four resolutions adding Mr. Tate to the signature cards. The motion was seconded by Mr. Mills and the motion passed unanimously.

RETIREMENT SYSTEM OFFICE SPACE

Major Jerry Gallagher from the Capital Improvements section reviewed the department's plans for eventually closing the Agnes Building and relocating the Retirement Systems office to space in the new South Patrol/Special Operations building. Major Gallagher said they had reviewed our space needs and with support from the Retirement Board would include us in the planning phase for the new building. Mr. Burnett made the motion to endorse the Capital Improvements section proposal to include office space for the

Retirement System in the new SPD/SOD building. The motion was seconded by Mr. Tate and passed unanimously.

ACTUARIAL VALUATIONS APRIL 30, 2009

Pat Beckham from Milliman reviewed a summary of the actuarial valuations for the Police Retirement System and Civilian Employees' Retirement System for the year ended April 30, 2009.

Milliman reported the market value of assets in the Police Plan to be \$534 million, a decrease of \$200 million, and the market value of assets in the Civilian Employees' Plan to be \$72 million, a decrease of \$25 million. Ms. Beckham said the market value was used in calculating the actuarial value of assets but was not specifically used for the valuation process. The actuarial value of the assets decreased by \$101 million to \$641 million in the Police Plan, and by \$12 million to \$86 million in the Civilian Employees' Plan. The actuarial value of assets has been constrained to 120% of the market value of assets because our actuarial assumptions include a corridor for the actuarial value of assets to not be less than 80% or more than 120% of the market value of assets. Additional losses were recognized this year to keep the actuarial value of assets at no more than 120% of the market value of assets. The application of the corridor increased the actuarial losses in the Police plan by \$89 million and in the Civilian plan by \$13 million. The market value of assets continues to be less than the actuarial value of assets in both plans and there are losses to be recognized over the next three years as part of the smoothing process. Absent any significant market gains above the 7.75% expected rate of return funded ratios in both plans will continue to decline.

Milliman calculated the actuarial liability for the Police Plan to be \$894 million, an increase of \$43 million, leaving an unfunded actuarial liability of \$252 million and a funded ratio of 72%. Based on assumptions for the Police Plan, the expected unfunded liability was \$114 million so there was an actuarial experience loss of \$138 million. The experience loss was all due to investment performance. The total actuarial contribution rate starting May 1, 2010 for the Police Plan is 47.31% of payroll; 26.17% is for the normal cost and 21.14% is for amortization of the unfunded liability. There is a short fall of 17.06% between the current City contribution rate of 19.7% and the actuarial required contribution rate. The member contribution rate is expected to remain at 10.55%.

The calculation of the actuarial liability for the Civilian Employees' plan is \$125 million, an increase of \$7 million, leaving an unfunded actuarial liability of \$39 million and a funded ratio of 69%. Based on assumptions for the Civilian Employees' Plan, the expected unfunded liability was \$20 million so there was an actuarial experience loss of \$19 million. The experience loss was almost all due to investment performance. The total actuarial contribution rate starting May 1, 2010 for the Civilian Employees' Plan is 23.87% of payroll; 13.65% is for the normal cost and 10.22% for amortization of the unfunded liability. There is a short fall of 5.73% between the current City contribution rate of 13.14% and actuarial required contribution rate. The member contribution rate is expected to remain at 5%.

Ms. Beckham summarized Milliman's valuation work by saying our experience of decreased asset values and funded ratios, and increased unfunded liability and contribution rates was not unusual given market conditions during the past year. Our experience is not much different than any of her other clients. Ms. Beckham said based on the board's policy for defining what is actuarially sound, no cost of living adjustment could be granted in 2010 because funding ratios and contribution rates are below the criteria set by the board to grant cost of living adjustments. Ms. Beckham also reviewed projected funded ratios for both plans based on current actuarial assumptions. Absent any increases in contributions, improved investment performance or changes to benefits, the funded ratios for both plans are expected to continue to decline into the 55% to 50% range over the next several years. Ms. Beckham said Milliman continues to have concern for long-term funding of the retirement systems given current funding levels and scheduled employer contributions.

The Retirement Board discussed possible next steps including: developing a communication plan for members about retirement contribution rates, investments, benefits, and specifically the cost of living adjustment in 2010; presentations to the Board of Police Commissioners and City Council about the need for contributions at the actuarially required rate; and looking at benefit options including a second tier plan.

UPDATE ON HOGAN AND LONG CASES

Mr. Gorman said the court had issued rulings on the Anthony Hogan case and the Meredith Long case. In both cases retired members sued, the Board of Police Commissioners and Police Retirement Board, to have their non-duty disability retirements changed to duty disability retirements. In the Hogan case Judge May ruled that the disability retirement should be changed to a duty disability and awarded damages. In the Long case Judge May ruled that the disability retirement should remain a non-duty disability. Mr. Gorman recommended further discussion of the Hogan case in closed session.

SECRETARY'S UPDATE

Planning and Research Project on Retirement Education

Mr. Pyle said he and Ms. Blancett were working with staff from the Planning and Research Unit on a pre retirement education seminar for department members. The discussions have focused on how other Police Departments and organizations help employees prepare for retirement. A number of topics have been identified as possible sessions for the education seminar and we are looking at web based resources for both active and retired members. Mr. Pyle will provide ongoing updates on the project.

Amended Board Policies #016 Direct Deposit of Benefit Payments and #017 Member Change of Address

Mr. Pyle said the draft amended policies for Direct Deposit of Benefit Payments and Member Change of Address allow members to fax their completed direct deposit or change of address forms to the Retirement System office. Current policies only allow delivery via US Mail or in person and other public plans accept the change forms via fax. Mr. Pyle said other plans still do not accept changes via email because of the need for an original signature on the forms. Mr. Kauzlarich made the motion to adopt the amended board policies #016 Direct Deposit of Benefit Payments and #017 Member Change of Address. The motion was seconded by Mr. Mills and passed unanimously.

Board Policy #022 Final Payment of Monthly Benefits – Beneficiary Designation

Mr. Pyle said he asked Mr. Gorman for further clarification on the Police Retirement Systems ability to pay a final benefit payment, due to a deceased member, to a designated beneficiary other than an eligible survivor. The issue came up as we prepared to pay the final benefit of a deceased member to a designated beneficiary. Based on Mr. Gorman's findings our Board Policy #022 Final Payment of Monthly Benefits – Beneficiary Designation conflicts with Police plan statutes and should be rescinded. Mr. Tate made the motion to rescind Board Policy #022 Final Payment of Monthly Benefits – Beneficiary Designation. The motion was seconded by Ms. Wasson-Hunt and passed unanimously.

Northern Trust Death Search Report

Ms. Blancett reported that Northern Trust had completed their annual comparison of our members receiving benefit payments with a social security data base that shows deceased individuals. The process did not turn up any matches that we were not already aware of. As part of their contracts, Northern Trust searches the available data bases annually to help ensure we do not make payments after a member is deceased.

OMNIBUS MOTION

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

RESOLVED, that the Retirement Board hereby unanimously approves:
 The minutes of the previous meeting of August 11, 2009;
 The monthly financial statements for July 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.

CLOSED SESSION

Mr. Tate made the motion to go into a closed session for purposes of discussing pending litigation. Mr. Mills seconded the motion. The following members voted in favor of closing the meeting: Mr. Howell, Mr. Burnett, Mr. Kauzlarich, Mr. Mills, Mr. Reyburn, Mr. Tate, Mr. Trysla, and Ms. Wasson-Hunt.

ADJOURNMENT

The next regularly scheduled board meeting will be October 13 at 9:00am at the KC Police Credit Union.