JOINT WORK SESSION MEETING
AGENDA
CITY OF CREVE COEUR
CITY COUNCIL AND EMPLOYEE PENSION
300 NORTH NEW BALLAS RD
JUNE 24, 2019
6:00 PM

CALL TO ORDER

ROLL CALL

DISCUSSION ITEMS

1. **Approval of June 10, 2019 City Council Work Session Meeting Minutes**

2. **Lump Sum Buyout Proposal for the Legacy Defined Benefit Pension Plan**
   Summary: A Lump Sum Buyout Proposal has been under discussion by the Employee Pension Board for Deferred Vested and Current Retirees of the Legacy Retirement Plan. Members of the Employee Pension Board and the City's actuary will be present to discuss the proposal.

Pursuant to Section 610.022 RSMo., the City Council could, at any time during the meeting, vote to close the public meeting and move to closed session to discuss matters relating to litigation, legal actions and/or communications from the City Attorney as provided under Section 610.021(1) RSMo. and/or personnel matters under Section 610.021(13) RSMo. And/or employee matters under Section 610.021(3) RSMo. and/or real estate matters under Section 610.021(2) or other matters as permitted by Chapter 610.

Posted: ___________________________ posted 06/20/2019
Deborah Ryan, MPCC
City Clerk

WORK SESSION MEETING
MINUTES
CITY OF CREVE COEUR
CITY COUNCIL
300 NORTH NEW BALLAS RD
JUNE 10, 2019
6:00 PM

CALL TO ORDER

A regular meeting of the City Council of the City of Creve Coeur was called to order by Mayor Glantz at the City Council Chamber, 300 North New Ballas Rd, City of Creve Coeur Government Center, Creve Coeur, MO 63141 on Monday, June 10, 2019 at 6:00 PM.

Council Member, Ward 2 AJ Wang
Council Member, Ward 2 Ellen Lawrence
Council Member, Ward 3 Robert Hoffman
Council Member, Ward 3 Charlotte D'Alfonso
Council Member, Ward 4 Scott Saunders
Council Member, Ward 4 Susan Baseley

Council Member, Ward 1 Alexis Travers **-- Absent**
Council Member, Ward 1 Heather Silverman **-- Absent**

ROLL CALL

Staff Present: City Administrator Mark Perkins, City Attorney Carl Lumley, Chief Eidman, Finance Director Lori Obermoeller, Public Works Director Jim Heines, City Engineer Matt Wohlberg, Assistant City Administrator Sharon Stott, Park Director Jason Valvero
PHP Members Present: Chair David McCoy, Member Nancy Litzinger
Also Present: Tim Kilby of Country Gentleman Historic Restorations and Woodright shop

DISCUSSION ITEMS

1. Approval of May 28, 2019 City Council Work Session Meeting Minutes

RESULT:	**ACCEPTED [UNANIMOUS]**
MOVER:	Robert Hoffman, Council Member, Ward 3
SECONDER:	Charlotte D'Alfonso, Council Member, Ward 3
AYES:	Wang, Lawrence, Hoffman, D'Alfonso, Saunders, Baseley
ABSENT:	Travers, Silverman

2. Historic Building Assessment

Tim Kilby of Country Gentleman Historic Restoration and Woodwright Shop reviewed the restoration recommendations for the Clester and Hackman Cabins as well as Lake School House.

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Council Member Lawrence stated she doesn't see the city spending a lot of funding on restoration of these buildings and suggested making corrections to the Lake School House and dismantling the cabins.

Council Member Hoffman stated he is in favor of keeping the Lake School and Tappmeyer Houses.

Council Member Baseley asked about the last residential survey and the question asked regarding the buildings.

David McCoy stated residents have indicated their preferences for bathrooms and indicated that historical buildings are not important.

Nancy Litzinger stated there could be small scale programs for the buildings but to state that the buildings are not usable is an incorrect statement.

Council Member Hoffman stated funding needs to be used for more pressing issues.

Council directed staff to contact St. Louis County Park Department and see if they are interested in having the cabins and to contact local school districts for possible interest in educational programming that includes the historic buildings.

Adjourned at 6:54 pm

RESULT:	**ITEM DISCUSSED**

City Council
300 North New Ballas Rd
Creve-Coeur, MO 63141

Meeting: 06/24/19 06:00 PM
Department: City Council
Category: Report
Prepared By: Lori Obermoeller
Department Head: Lori Obermoeller

SCHEDULED

STAFF REPORT

Lump Sum Buyout Proposal for the Legacy Defined Benefit Pension Plan

A Lump Sum Buyout Proposal has been under discussion by the Employee Pension Board for Deferred Vested and Current Retirees of the Legacy Retirement Plan. Members of the Employee Pension Board and the City's actuary will be present to discuss the proposal.

MEMORANDUM

DATE: June 18 2019

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Lump Sum Buyout Proposal

Milliman provided lump sum values equivalent to participant monthly benefits in the Legacy DB Pension Plan. This was performed for the 29 Deferred Vested and 78 Retiree/Beneficiary members in pay status. The present value date Milliman used was July 1, 2019.

The calculations utilized the valuation interest rate (6.75%) and a unisex version of the valuation mortality table (RP-2000 combined Healthy Table with a 70% Blue Collar adjustment with a fully generational projection of mortality improvement using Scale BB). The reason a unisex mortality assumption is used is so that two retirees with the same age and the exact same monthly benefit will be quoted the same lump sum, even if they are of opposite sex, i.e. a male and a female will be quoted the same lump sum.

Milliman also provided the amounts showing 60%, 70% and 80% of the full lump sum amounts. Below is a chart showing these estimated amounts:

Total Estimated Buyout Analysis per Present Value Percentage

	100% Present Value	80% Present Value	70% Present Value	60% Present Value
Deferred Vested Participants (29)	$2,395,065	$1,916,052	$1,676,546	$1,437,038
Retirees (72)	$17,446,113	$13,956,887	$12,212,285	$10,467,667
Beneficiaries (6)	$859,207	$687,365	$601,445	$515,523
Totals (107)	$20,700,385	$16,560,304	$14,490,276	$12,420,228

Average Estimated Payout per Participant per Present Value Percentage

	100% Present Value	80% Present Value	70% Present Value	60% Present Value
Deferred Vested Participants (29)	$82,588.45	$66,070.76	$57,811.93	$49,553.03
Retirees (72)	$242,307.13	$193,845.65	$169,615.07	$145,384.26
Beneficiaries (6)	$143,201.17	$114,560.83	$100,240.83	$85,920.50
Totals (107)	$193,461.54	$154,769.20	$135,423.14	$116,076.90

Mike Zwiener with Milliman will be at the June 24th Joint Work Session to answer any questions in regards to the buyout. Also attending will be the Pension Board members. The Draft Pension Board Minutes from when this was discussed is also attached.

Employee Pension Board of Trustees
Pension Board Meeting Minutes
April 16, 2019
5:30 PM
Administrative Conference Room
300 N. New Ballas Road

Call to Order

Steve Unser	Employee Rep	
Ellen Lawrence	Council	
Larry Potashnick	Fin Comm Rep	
Kelly Sullivan	Chair	
Jon McIntosh	Employee Rep	(Absent)
David Caldwell	Vice-Chair	
Michael Karasick	Board Member	
Lori Obermoeller	Director of Finance	
Debbie Loso	Finance Manager	
Todd Grizzle	Fiduciary Advisors	
Lois Gregson	Fiduciary Advisors	
Michael Zwiener	Milliman	

Approve Agenda

Mr. Caldwell stated that he didn't want to change the agenda, but he wanted to make sure that we talk about the assumptions and asset allocations at a future meeting. It is the Pension Board's responsibility to review these items every year. Ms. Obermoeller said she would make sure it was added to all future July meetings. Mr. Todd Grizzle with Fiduciary Advisors (FA) will also bring the Investment Policy at the July meeting with their possible recommendations for potential changes. If there is ever a need to change the asset allocations, they will do it at that time, but they certainly will look at the Investment Policy once a year with the Pension Board.

Mr. Caldwell wants FA to take another look at high yield bonds on the Equity Portion. Mr. Grizzle said he will be presenting some ideas at today's meeting and if that's not what he was looking for, then they would discuss further.

Mr. Karasick wanted FA to discuss the capital market assumptions to each of the asset classifications. This would explain how you determined the asset allocation based on these assumptions. Yes, Mr. Grizzle will bring these capital market assumptions as well, to the July meeting.

Mr. Caldwell said the footnotes in the audit report disagrees with the expected returns from yearly reports. He would like to have FA shed some light on this so we don't have this confusion every year with the auditors. According to Mr. Grizzle, at one point the footnotes of the audit put what the assumed rate of return was for equity versus bonds and what the blended rate of that would be based on the asset allocation. Mr. Potashnick said he would like to have the audit added to the next agenda to discuss the assumptions that were listed. He would also like for any audit comment about the pension plan be presented to the Pension Board prior to it being put in the audit.

Mr. Karasick wanted FA to address the issue at the next meeting that if the Board were to keep the interest at 6.75%, will their asset allocation meet that objective? What is the likelihood of meeting 6.75% using the Monte Carlo or some other measure, using the existing capital market assumptions? Or does FA recommend something else? What do we have to do the portfolio to achieve 6.75%? Is the 70/30

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model still work to achieve this or do we need to change to 90/10 or something else? Just have this analysis at our next meeting.

Mr. Karasick also asked that an addendum be added to the Investment Policy for new members to sign regarding no conflict of interests and to know that they have read the policy. He will provide Fiduciary Advisors sample language for the policy.

1. Motion to Approve the Agenda

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Kelly Sullivan, Chair
SECONDER:	Steve Unser, Employee Rep
AYES:	Unser, Lawrence, Potashnick, Sullivan, Caldwell, Karasick
ABSENT:	McIntosh

Approve Minutes

Approval of January 22, 2019 Employee Pension Board of Trustees Pension Board Meeting Minutes

Packet Page 4 changed misspelling "art" should have been "at" on second line.

RESULT:	**ACCEPTED AS AMENDED [UNANIMOUS]**
MOVER:	Larry Potashnick, Fin Comm Rep
SECONDER:	Kelly Sullivan, Chair
AYES:	Unser, Lawrence, Potashnick, Sullivan, Caldwell, Karasick
ABSENT:	McIntosh

Approval of January 31, 2019 Employee Pension Board of Trustees Pension Board Meeting Minutes

RESULT:	**ACCEPTED [UNANIMOUS]**
MOVER:	Kelly Sullivan, Chair
SECONDER:	David Caldwell, Vice-Chair
AYES:	Unser, Lawrence, Potashnick, Sullivan, Caldwell, Karasick
ABSENT:	McIntosh

Reports

Fiduciary Advisors

Creve Coeur Portfolio Report

Employee Pension Board of Trustees
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Mr. Todd Grizzle with Fiduciary Advisors (FA) said Lois Gregson will go over the Performance Report and then he will go over answers to some follow up questions from the last meeting. He provided some color copies for the group.

Ms. Gregson with FA went over the Performance Report stating it was now a strong market. Page 2 demonstrates that the Plan's asset allocation is in line with the target allocation so no rebalancing was needed through 3/31. However, there was some small rebalancing done in Equity after 3/31 to keep it within the asset allocation of the plan.

Mr. Caldwell would like to look at a lower range for alternatives that are currently at 1 - 11%. Todd Grizzle with Fiduciary Advisors said they could definitely look at lowering the range with the Alternatives. We could not currently do with the current Investment Policy, but FA will review and give recommendations at the next meeting to see if the Board wants to change.

Mr. Caldwell asked again for an Annualized 20 Year column added to page 4; Mr. Grizzle said that starting in June they will have 15 Year numbers so he will add an Annualized 15 Year Column.

Ms. Gregson said according to Page 5 of their report, the Equity Only portion of the portfolio has had a 12.8% YTD return and an 8.9% since Inception.

Ms. Gregson said that Specialty Funds on page 6 represents the Alternatives. Mr. Caldwell said that we should take advantage of market declines and rebalance.

As of 4/12/19, the Equity portfolio (Schwab account) has recovered all losses from the 4th quarter. No additions or reductions were made to the Scwab Account. The money market fixed income is 2% under the target allocation, still within the 5% ban of the Investment Policy.

Mr Grizzle was asked to look at the rebalancing strategy if the market goes up or down, so page 3 of his report shows the rebalancing thresholds per Vanguard. Any rebalancing strategy is better than not rebalancing at all. This report on page 3 says that if the rebalancing is set at 1%, meaning if we are at 70/30 and we go to 71/29, then we would have to rebalance with that 1% change in allocation. Volatility doesn't really change according to this report unless you never rebalance. Sharpe Ratio is a measure of your return per unit of risk and is more important. What was your return based on your risk if you never rebalance? And this shows you that your return is a lot less based on your risk if you never rebalance. 5% is where we currently are at right now and 5% is what Fiduciary Advisors is most comfortable with. This study does not show a 3% Threshold, but if the Board wants to look at 3% Threshold for the upcoming Investment Portfolio, FA would not be opposed to looking at it, but research shows you that it's not going to make a big difference. With a 70/30 portfolio and assuming bonds don't move, we would have to have a 20% drop in equity price before we hit that 5% threshold. We've got close to a rebalancing (4%) when we made the contribution last fall and the market dropped so much at that same time, but it didn't reach that 5% so no rebalancing was needed. Mr. Caldwell believes we should take advantage of market declines so maybe rebalancing percentage for declines should be lower. Mr. Grizzle said that they don't have any research to support Mr. Caldwell's comments, but if the Board

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wants FA to have 5% on the upside and maybe 3% on the downside, then they can look at doing that. FA would not be comfortable recommending this, but if that is what the Board wants, then they would do. When FA makes a recommendation to do something it's because they have 3rd party research to backup their recommendations, and they do not have anything to back up a 5% increase with a 3% decrease.

Mr. Grizzle was asked at the last meeting what was the international exposure that LAGERS has? And what is Creve Coeur's International Exposure in regards to the Equity portion of the Plan? LAGERS has a lot of alternatives so it was excluded from this report. As the report indicates, LAGERS has a lot more international exposure than Creve Coeur as of 6/30/18 which is the most current data that FA has on LAGERS. FA does not recommend changing this international exposure. We increased international last year, but FA would not recommend changing it again at this time.

Page 5 of the report shows you how international compares to US and you will see that there are 2 times that the international outperformed the US. Main point of showing this chart is so that you can see the long-term picture and not just focus on what is happening now.

How much international do you want to add to the portfolio to minimize the volatility? Page 6 shows you that the bottom of volatility is between 30-40% of the equity exposure, which is why Fiduciary Advisors is in this range (36%).

FA was asked what is the correlation to high yield stocks? Page 7 shows this. US Bonds has no correlation. But maybe you increase the risk of the portfolio, instead of increasing high yield. For example, if you go from 70% to 72% equity which is a higher equity exposure and make that your new target, it will give you about the same return as having a 5% high yield at the same risk level. So, first decision is, do we want to increase risk? Another way of looking at it, is if you want to keep your risk the same, and you want to add 5% high yield, then you want to reduce your equity portion down to 68% and that's because of the correlation. In other words, 2% Equities is equal to high yield. If you do want to increase risk, then we need to decide if it's going to be on the high yields in the fixed income or the equities. Or if you want to keep the risk the same, but introduce high yields, then we can reduce our Equity target. Ms. Lawrence is not comfortable with adding more risk.

Mr. Caldwell asked how often LAGERS reports and it was answered "Quarterly". He would like to see it monitored with the City's performance to see how they do. Mr. Karasick said they could get the LAGERS numbers to monitor it. Right now LAGERS looks good, but 5 years ago, they didn't look so good, so having 5 years of rolling data is very helpful.

New Business

Lump Sum Buyout Proposal

Mike Zwiener with Milliman gave an overview of the buyout option that was included in the packet. The plan doesn't allow lump sum as it is written so that would require a change to the current plan. This would be a legally required change in order to implement any buyout lump sum option. The

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assumptions that were used in the proposal was 6.75% interest rate, how long participant will live and the value of money. They used a unisex mortality table.

Packet page 21 includes deferred vested participants who have not received any benefits yet. The 1st column is the lump sum value of their benefits. The succeeding columns shows 80%, 70% and 60% of the lump sum number. Packet page 22 - 24 includes current retirees who are currently receiving a benefit.

How would you raise $20M to cover these lump sum amounts assuming you make this offer and 100% of the Deferred Vested and current Retirees take this offer (total of columns 1)? Mr. Grizzle said the market is up so you could do it today. He said everything in the plan is liquid so it could come from there today. Problem is we don't know what the market will be like when we make the offer.

Mr. Zwiener asked, what are you trying to accomplish with this buyout? Mr. Zwiener said that the plan is currently funded at about 80%. If we pay out 100% then the ratio of funding goes down, but it will be a smaller plan. The plan is closed so it will end at some time and the City is making efforts to chip away at this. We are holding the liability at 100%. If we pay out 80%, then the ratio stays about the same.

Mr. Zwiener asked if someone's benefit is at 100%, how we can pay less than 100%? Is there a rule that we have to give them their full benefit? Well, public plans are allowed to pay less than 100% where private plans are not allowed. MOSERS (Missouri state pension system) paid out 60%.

Mr. Zwiener said that we may want to offer to deferred vested participants, like MOSERS did, first since it was a smaller group and more manageable to see how it goes with that group first. Then maybe offer it to the current retirees drawing a benefit.

Mr. Zwiener said that if we make this offer to both groups of participants on 7/1/19 to be paid out 90 days later and then the market goes down, you wouldn't be able to do this. Mr. Grizzle said that if the City was thinking of offering this to the Deferred Vested participants and there may be a possibility of over $2M going out to participants, then FA would recommend changing the asset allocations.

Mr. Zwiener commented that the City is on the right track with paying the 10-year allocation because the City's plan is a lot better than most other plans. Creve Coeur's funding policy is really good and #1 to all other plans he works on.

Per Mr. Zwiener, the people that aren't getting any benefit yet or those that are getting a benefit that is only $50 - $100 per month, they are the ones more likely to take this offer. But those that are getting a bigger monthly benefit now, are probably not going to take this lump sum offer.

Mr. Karasick said that he would like to offer 80% since that is where the plan is today and the higher the number, the more people will take the offer.

Mr. Sullivan said that we should start small so he thought starting with deferred vested participants

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was a good idea. Ms. Lawrence agreed. Mr. Sullivan also said that we can't second guess why someone would want to take the lump sum. Maybe they want to pay off a mortgage, or they are in poor health and want to leave a chunk of money to their kids, or they have a spouse with a nice pension plan and this buyout allows them to do something else with this money. And they can roll it over and not pay taxes on it if they want.

Mr. Potashnick said that when we change the mortality table in July, we will probably lose 2 - 5 points in valuation. Giving 80% may then be too much.

Mr. Caldwell doesn't want to vote on this. He still believes the Pension Board has a fiduciary responsibility to pay what employees were promised and offering the buyout is not what we should do. This is a City decision and not the Board's.

Mr. Karasick asked if the City has to make the offer? He would think so. He said it is the City Council's decision to do; it would be the City's expense for legal requirements and not the Pension Plan's expenditures. The pension board is not proposing it, we are simply presenting it to the City Council.

Mr. Caldwell asked what would happen if the 80% funding was offered and ½ of the participants take it, what is the effect on future contributions. Mr. Zwiener said not much effect because all it really is doing is shrinking the plan.

Mr. Grizzle said that if you don't think the Plan will perform at 6.75%, then the lumpsum option to participants is better for the City to do.

Mr. Karasick said that the liaison to the Finance Committee, which is Larry and liaison to City Council, which is Ms. Lawrence should present to the City Council to see if the City is interested. Mr. Caldwell said they should form a task force or sub-committee and form a letter to the City Council of what the pluses and minuses are and not necessarily giving a recommendation. The memo to the City Council needs to tell how this affects future contributions. Ms. Lawrence said we should get legal costs from City Attorney Lumley.

Mr. Zwiener said that the Plan will get to 100% funding quicker if they offer the buyout because the Plan is shrinking which means the liability is also shrinking, so overall there is less risk for the City. Less bad can happen with a smaller liability.

Mr. Unser said that if this is an option that the City can afford to do and it can reduce the liability, then we need to consider it.

Mr. Karasick said that they would draft a memo from the Committee, take it back to the Pension Board and then present to the City Council.

Old Business

Retirements

Employee Pension Board of Trustees
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City of Creve Coeur
300 N. New Ballas Road

Information

Invoices Paid Since January 22, 2019

Invoices Paid

Meeting Calendar

2019 Meeting Calendar

Adjournment

Motion to Adjourn

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Kelly Sullivan, Chair
SECONDER:	Ellen Lawrence, Council
AYES:	Unser, Lawrence, Potashnick, Sullivan, Caldwell, Karasick
ABSENT:	McIntosh