

**BI-STATE DEVELOPMENT
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
OCTOBER 19, 2018**

Committee Members in Attendance

Aliah Holman, Chair
Constance Gully
Jeffrey Watson, (absent)
Justin Zimmerman

Other Commissioners in Attendance

Vernal Brown
Rose Windmiller
Derrick Cox

Staff in Attendance

John Nations, President and Chief Executive Officer
Barbara Enneking, General Counsel and Deputy Secretary
Shirley Bryant, Corporate Legal Department Manager
Jim Cali, Director of Internal Audit
Barbara Georgeff, Director of Executive Services
Larry Jackson, Executive Vice President for Administration
Patti Beck, Director Communications
Brenda Krieger, Executive Assistant
Charles Stewart, Vice President Pension & Insurance
Kathy Brittin, Director Risk Management, Safety & Claims
Mark Vago, Sr. Vice President Chief Financial Officer
David Toben, Director Benefits
Tammy Fulbright, Sr. Director Financial Planning & Treasury
Carmen Brothers, Retirement Plan Manager
Virginia Alt-Hildebrandt, Manager Administrative Services
Ted Zimmerman, Interim Vice President Communications & Marketing
John Wagner, Director Research Institute
Kerry Kinkade, Supplier Diversity Manager
Diana Bentz, Vice President Organizational Effectiveness
Jerry Vallely, External Communications Manager
Angela Staicoff, Sr. Internal Auditor
Kelli Fitzpatrick, Sr. Internal Auditor/PT
Victoria Potter, Controller
Michael Gibbs, Manager Financial Operations-Administration & Business Operations
Karl Tyminski, Sr. Internal Auditor/PT
Matthew Hibbard, Social Media Communications Manager
Stacy McMurray, Director Organizational Development
Evan Glantz, Executive Assistant
Michelle Stevens, Director of Corporation & Foundation Relations

Others in Attendance

Brad Schelle, Crowe Howarth

1. **Call to Order**
8:00 a.m. Chair Holman called the Open Session Audit, Finance and Administration Committee Meeting to order at 8:00 a.m.
2. **Roll Call**
8:00 a.m. Roll call was taken.
3. **Public Comment**
8:01 a.m. There was no public comment.
4. **Audit, Finance and Administration Committee Open Session Minutes: August 24, 2018**
8:02 a.m. The August 24, 2018 Open Session Audit, Finance and Administration Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes as presented was made by Commissioner Cox and seconded by Commissioner Brown. **Motion passed unanimously.**
5. **Contract Award – Pharmacy Benefit Management Services**
8:02 a.m. The briefing paper regarding the Contract Award for Pharmacy Benefit Management Services was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance announced that Bi-State Development Agency (**BSD**) received the Healthiest Employee St. Louis Award given by the St. Louis Business Journal. Mr. Stewart and the Committee congratulated the Benefits and Wellness Teams for their outstanding work that resulted in receiving this honor.

David Toben, Director of Benefits, provided a brief overview regarding the Pharmacy Benefit Management Services. BSD provides three (3) medical plan options and one (1) prescription plan program. BSD is a member of the St. Louis Area Business Health Coalition (**BHC**) and participates in a purchasing cooperative for pharmacy benefit management services with approximately 43 other employers from the metropolitan region representing over 300,000 area employees. In February of 2018 BSD engaged the pharmacy practice of Gallagher Benefit Services who put together a Request for Proposal that was sent to four (4) Pharmacy Benefit Managers. After extensive negotiations through the BHC, Express Scripts was awarded the master contract which became effective on October 1, 2018. BSD participates through an Employer Participation Agreement in the master contract that the BHC holds for BSD. This allows BSD to have its own plan design. Express Scripts is being acquired by CIGNA, and CIGNA is the Agency's current medical plan administrator. The Agency sees this acquisition as a positive development. Over time as the two organizations integrate we believe that it will improve the member experience, create additional costs containment opportunities, and still manage to keep best in class pricing because of the volume that both CIGNA and Express Scripts have in terms of membership and buying power in the market. The new contract provides improved discounts and rebates over three years, and management is requesting funding for the plan years of 2019, 2020, and 2021 for a three (3) year contract to Express Scripts for pharmacy benefit management services for our employee program. A motion for the Committee to approve this agenda item as presented and forward to the Board for final approval was made by Commissioner Gully and seconded by Commissioner Brown. **Motion passed unanimously.**

- 6. 22nd Amendment to the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local 788 Amalgamated Transit Union, AFL-CIO, Employees' Pension Plan**
8:16 a.m. The 22nd Amendment to the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local 788 Amalgamated Transit Union, AFL-CIO, Employees' Pension Plan was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance provided a brief overview. Per an original plan provision, terminated employees with a vested pension benefit were not allowed to apply for their accrued benefit until reaching age 65, even if they were eligible under the plan provisions to retire at the time they terminated from active employment. This provision was inconsistent between the three (3) pension plans. The purpose of Amendment 22 is to change this provision to allow a term-vested former employee to apply for their accrued pension benefit prior to reaching age 65 based upon being originally eligible under the plan when they terminated active employment. This amendment was approved by the Trustees for the Amalgamated Transit Union Employees' Administrative Pension Plan Committee meeting on August 2, 2018, and is now pending Bi-State Development Board of Commissioners approval. A motion for the Committee to approve and refer to the Board for approval this agenda item as presented was made by Commissioner Cox and seconded by Commissioner Gully. **Motion passed unanimously.**
- 7. Amendment 2 to the Bi-State Development Agency 401(k) Retirement Savings Program**
8:21 a.m. Amendment 2 to the Bi-State Development Agency 401(k) Retirement Savings Program was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance provided a brief overview. Amendment 2 to the BSD 401(k) Retirement Savings Plan (**the "Plan"**) was drafted at the direction of the Salaried Administrative Pension and 401(k) Plan Committee to address the accelerated vesting of non-elective employer contributions to participants in the event of their disability, attainment of the plans normal retirement age (65) or upon death. The Salaried Pension Plan was closed to new participants on July 1, 2013. At that time, an enhancement was made to the Plan that included employer only contributions of 4% of salary for new participants subject to a five (5) year vesting schedule at 20% per year. Amendment 2 changes the Plan to allow 100% vesting of those employer only contributions in the event the participant is disabled, attains the plans normal retirement age of 65, or upon death while still within the five (5) year vesting schedule timeframe. A motion for the Committee to approve and refer to the Board for approval this agenda item as presented was made by Commissioner Windmiller and seconded by Commissioner Cox. **Motion passed unanimously.**
- 8. Pension Audit Update**
8:23 a.m. The Pension Audit Update report was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance provided a brief overview. The Pension Data Audit, issued by the Internal Audit Department (**IAD**) in March 2012 identified policy, procedure, recordkeeping and internal control deficiencies that affected both financial reporting and the general administration of the pension plans. IAD recommended that the pension trustees engage an independent certified public accounting firm to perform an annual financial statement audit. This recommendation was implemented and now occurs annually. In September 2018, Mayer Hoffman McCann, PC (**MHM**) issued the financial audit reports for plan years ended 2018. MHM issued unqualified "clean" audit opinions for plan years ended 2018 for all three pension plans. During the course of the audits, any matters MHM identified were reviewed with management and disclosed to the pension trustees. The identified issues were corrected prior to the completion of the audits. The 401(k) Retirement Savings Program for the year ended December 31, 2017 is in

process. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

9. Internal Audit Status Report – 1st Quarter FY2019

8:25 a.m. A briefing paper regarding the Internal Audit Status Report, 1st Quarter FY2019 was provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. The Internal Audit Department (**IAD**) Status Report provides the Board, the Committee and Senior Management with a summary of IAD's quarterly activity pertaining to the Annual Audit Plan. In addition to tracking the status of the current audits and special projects, this report also highlights the follow-up activity related to the implementation of recommendations from prior audits. During the audit of the Passenger Revenue, "Universal Access Transit Passes for Colleges and Universities (**U-PASS**) Audit" IAD assisted management in the collection of outstanding accounts totaling \$327,373.35. IAD has been working with Human Resources to begin the recruitment process to fill the Internal Auditor – Transit position in accordance with the new State Safety Oversight audit requirements. This report is informational only, and no Committee action is required. A copy of the report will be kept at the office of the Deputy Secretary.

10. Internal Audit Follow-Up Summary – 1st Quarter FY2019

8:26 a.m. The briefing paper regarding the Internal Audit Follow-Up Summary, 1st Quarter FY2019 was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The Audit Follow-Up Summary Report is a comprehensive overview highlighting the current implementation status of recommendations issued in prior audit reports. Each recommendation has been reviewed and its status has been classified as either completed, outstanding or overdue. This report should be used to determine the timeliness and the completeness of the implementation of corrective action. Management should place specific focus on those recommendations that are determined to be overdue. There are no overdue or outstanding recommendation this quarter. A number of recommendations were closed during the quarter, however IAD is still tracking 110 total recommendations, and 76 have been totally completed, there are 34 that are outstanding but are not overdue. There were 8 audits during this quarter that were completely closed, and this was a tremendous effort on the part of management to implement recommendations in accordance with their action plans. This report is informational only, and no Committee action is required. A copy of the report will be kept at the office of the Deputy Secretary.

11. August Treasury Report

8:27 a.m. The August Treasury Report was provide in the Committee packet. Tammy Fulbright, Sr. Director Financial Planning & Treasury provided a brief overview. Bi-State Directed Funds had \$206 million with an average rate of return of 1.61% in June 2018. In August 2018 the Bi-State Directed Funds had approximately \$193 million with an average rate of return of 1.72%. The average rate of return is increasing and the funding is decreasing a bit primarily because we are waiting for final approval on appropriations. Trustee Directed Funds in June totaled \$46 million with an average rate of return of 2%. In August it was \$57.6 million with an average rate of return of 2.03%. We are ramping up funding because we pay our debt payments on October 1st. We made those payments and we were able to pay down \$9 million in principle. The Agency's 2009 and 2013 debt is now at approximately \$514 million. In March, June and September the Fed raised rates so the current Fed rate is at 2.25%. The current expectation is that there will be one (1) more rate increase this year, three (3) in 2019 and one (1) in 2020 and that will get us to 3.5%. Currently

our Treasury and Government Money Market accounts are earning a little over 2%, the three month Treasury is at about 2.25%, and the one year is a 2.6%. The long term rates on 30 year is at 3.3%. When we invest bonds, the two (2) year yield on Agency bond rate is 3% and the three (3) year is at 3.1%, which is not much of an increase for that extra year. The Agency's goal now is to stay on the short term end of our investment portfolio when making our investments and take advantage of the rates as they are increasing. This report was informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

12. Unscheduled Business

8:29 a.m. There was no unscheduled business.

13. Call of Dates for Future Committee Meetings

8:30 a.m. The Board was advised of the upcoming meetings, as follows:

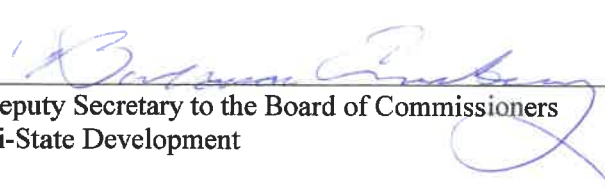
Board Meeting:

Friday, November 16, 2018, 8:00 a.m.

14. Adjournment to Executive Session

Executive Session - If such action is approved by a majority vote of the Bi-State Development Agency's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters pursuant to Bi-State Development Board Policy Chapter 10, Section 10.080(D) Closed Records; Legal under §10.080(D)(1); Real Estate under §10.080(D)(2); Personnel under §10.080 (D)(3); Health Proceedings under §10.080(D)(4); Employee Negotiations under §10.080(D)(5); Data Processing under §10.080(D)(6); Purchasing and Contracts under §10.080(D)(7); Proprietary Interest under §10.080(D)(8); Hotlines under §10.080(D)(9); Auditors under §10.080(D)(10); Security under §10.080(D)(11); Computers under §10.080(D)(12); Personal Access Codes under §10.080(D)(13); Personal Information under § 10.080(D)(14); Insurance Information under §10.080(D)(15); Rail, Bus, or Facilities Safety and Accidents under § 10.080(D)(16); or Protected By Law under § 10.080(D)(17).

8:30 a.m. Pursuant to the requirements of Section 10.080 (D) (1), (3), (10), and (17) of the Bi-State Development Board Policy, Chapter 10, Section 10.080, Chair Holman requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Zimmerman and seconded by Commissioner Brown. A roll call vote was taken and the Commissioners present, Holman, Gully, Zimmerman, Brown, Windmiller and Cox voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned at 8:30 a.m.**


Deputy Secretary to the Board of Commissioners
Bi-State Development