

Minutes
Employee's Retirement System Board of Trustees
May 7, 2009
Quarterly Meeting

Call to Order: Chair Dave Nadolski called the meeting of the Employee's Retirement System Board of Trustees to order at 1:00 p.m. at the Law Enforcement Center.

Board Members Present: Cathy Bianchi
Matt Burns
Judy Buseman
Peggy Dant
Shawna Goldammer
Dave Nadolski
Mark Sivertson

Board Members Absent: None

Staff Members Present: Bill O'Toole, Director of Human Resources
Gene Rowenhorst, Director of Finance
Thomas Huber, Assistant Director of Finance
Gail Eiesland, Chief Assistant City Attorney
Angie Uthe, Human Resources Manager
Kathy Pottebaum, Benefits Technician
Ann Boden, Accountant

Others present: Howard Pohl, Becker, Burke & Associates
Louise Gates, Gabriel Roeder Smith & Company

The Employee's Retirement System Board of Trustees and the Firefighter's Pension Fund Board of Trustees met in joint session.

Sherri Rotert with Boyce, Greenfield, Pashby & Welk was present to review draft ordinance revisions regarding investment of assets.

A motion was made by Buseman seconded by Burns, to submit the recommended ordinance language to the Mayor for his review and submission to the City Council. Motion carried unanimously.

A motion was made Sivertson seconded by Dant, to approve the February 4, 2009 meeting minutes. Motion carried unanimously.

Louise Gates presented the board with the December 31, 2008 Annual Actuarial Valuation. The City's pension contribution rate for the general division is 10.93% and added with a health insurance/GASB OPEB rate of 5.03%, the overall contribution rate for 2010 will be 15.96% of payroll. This reflects a total contribution increase of 1.45% from the 2009 contribution rate of 14.51%. The report indicated that the general division had a funded ratio of 94.4% for 2008 down from 98.1% in 2007. The retiree health funded ratio was 32.8%; up from 26.1% in 2007.

The City's pension contribution rate for the police division is 17.66% and when added with a health insurance/GASB OPEB rate of 7.45%, the overall contribution rate for 2010 will be 25.11% of payroll. This reflects a total contribution increase of 3.17% from the 2009 contribution rate of 21.94%. The report indicated that the police division had a funded ratio of 89.4% for 2008 down from 94.1% in 2007. The retiree health funded ratio was 32.2%; up from 27.0% in 2007.

Gates reminded the board that the economic investment assumption was 7.75% and the wage inflation assumption was 4.25%. The board had some discussion with Gates about possible changes to the systems in light of the continuing increase in funding costs. She reviewed actions taken by other funds which included offering incentives to retire early, opting out of retiree health care, capping employer contributions, establishing benefit tiers for eligibility and lengthening the amortization years. Gates discussed potential changes in industry Standard of Practice #44 regarding the selection and use of Asset Valuation Methods for pension valuations. Gates will keep us updated on any impact to our systems should the industry standard change.

Howard Pohl presented the Board with the 2009 first quarter performance report. The market value of the Plan declined from \$186.9 million to \$169.7 million. The funds had a rate of return of -8.9% in the first quarter compared to the -6.4% median of the Becker, Burke Plan universe. The annual return was -29.5% compared to the median of -24.6%. Results for the past five years of .1% were above the -0.2% median. The Total Plan had 46% of its quarter end assets with domestic equity managers, 18% with international, 32% in domestic bonds, and 4% in real estate. The total plan had bottom quartile performance relative to all plans in the quarter and for the year. It was average for five years. Risk, as measured by the fluctuation of quarterly returns was top quartile, while the reward/risk ratio was above average.

Tom Huber reviewed the recommended investment policy guidelines for Sawgrass Asset Management, LLC and Cooke & Bieler, including notice from Cooke & Bieler regarding potential conflicts on classifications of domestic versus international companies. The board discussed the policy recommendations along with reviewing the existing investment policy guidelines with STW Fixed Income Management. The Boards were also provided an update from STW regarding several bond rating downgrades.

A motion was made by Sivertson, seconded by Goldammer, to approve the two new investment policy guidelines. Motion carried unanimously.

Tom Huber and Howard Pohl reviewed the Investment Allocation Report. Lengthy discussion was held on the target levels and shift in allocations due to market conditions. It was noted that rebalancing to emerging markets is currently on hold awaiting the change in ordinance as well as allocating into the indices due to the securities lending pools.

A motion was made by Dant seconded by Goldammer, to allow real estate to continue outside of target, to increase the target allocation of the two active large-cap equity managers (Sawgrass and Cooke & Bieler) from 11% to 12% and reduce the large-cap index to 11%, and to continue to make progress in rebalancing the STW bond portfolio by trading to the best interest of the account and using normal cash flows as much as possible. Motion carried unanimously.

Tom Huber presented the Board with the 2008 Annual Financial Report.

The report was compiled in accordance with the City's pension ordinances and includes two attached statements which are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are published as part of the City's Comprehensive Annual Financial Report. The GAAP reports showed a decrease in net assets from \$260.3 million to \$187.3 million for the year ending December 31, 2008.

A motion was made by Goldammer, seconded by Buseman, to accept the 2008 Annual Financial Report. Motion carried unanimously.

Uthe presented the board with the 2008 pension logs indicating retirements, refunds, deferred retirements, and deaths in the General and Police divisions.

A motion was made by Burns, seconded by Buseman, to approve the 2008 pension logs for both divisions noting the retirements, refunds, deferred retirements, and deaths. Motion carried unanimously.

A motion was made by Goldammer, seconded by Burns, to enter executive session to discuss medical reports. Motion carried unanimously.

A motion was made by Sivertson, seconded by Goldammer, to exit executive session.

The board reviewed medical reports for Jan Wheeldon and Linda Smith for purposes of determining eligibility for ongoing benefits. Administrative staff indicated that the medical director's report indicated both individuals were eligible for ongoing benefits.

A motion was made by Dant, seconded by Buseman, to continue disability benefits for Jan Wheeldon. Motion carried unanimously.

A motion was made by Goldammer, seconded by Burns, to continue disability benefits for Linda Smith. Motion carried unanimously.

A motion was made by Goldammer, seconded by Busman, to adjourn the meeting. Motion passed unanimously.

The Board adjourned at 4:00 p.m.

Respectfully submitted,

Angie Uthe
Recording Officer