

Minutes
Employee's Retirement System Board of Trustees
February 4, 2009
Quarterly Meeting

Call to Order: Acting Chair Shawna Goldammer called the meeting of the Employee's Retirement System Board of Trustees to order at 8:30 a.m. at City Hall.

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

Board Members Absent: Dave Nadolski

Staff Members Present: Bill O'Toole, Director of Human Resources
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

Lisa Marso with Boyce, Greenfield, Pashby & Welk was present to discuss a legal matter on a disability issue.

A motion was made by Dant seconded by Burns, to enter executive session to discuss legal issues. Motion carried unanimously.

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

The Firefighter's Pension Fund Board of Trustees and Employee's Retirement System (ERS) Board of Trustees met in joint session following the ERS legal issue addressed in executive session.

A motion was made Dant seconded by Sivertson, to approve the October 29, 2008 meeting minutes with a recommended correction. Motion carried unanimously.

A motion was made by Dant, seconded by Sivertson, to approve the special meeting minutes of November 21, 2008. Motion carried unanimously.

Howard Pohl presented the Board with the 2008 fourth quarter performance report. The market value of the Plan declined from \$218.7 million to \$186.9 million. The funds had a rate of return of -14.2% in the fourth quarter compared to the -14.3% median of the Becker, Burke Plan universe. The annual return was -27.3% compared to the median of -23.9%. Results for the past five years of 2.9% were above the 1.5% median. The Total Plan had 45% of its quarter end assets in domestic common stocks, 17% in international or global stocks, 33% in domestic bonds and 5% in real estate. The total plan had bottom third performance relative to all plans in the quarter and for the year. It was top quartile for five years. Risk, as measured by the fluctuation of quarterly returns during the last five years was top third, while the reward/risk ratio was top quartile.

Discussion was held on the need to reschedule the May 6, 2009 board meeting to accommodate travel issues with fund actuary, Louise Gates. The meeting date has been changed to May 7, 2009 at 1:00 pm.

The Board heard from Kevin Smith with Prudential Investment Management Services via conference call with an update on the current real estate portfolio and market.

Tom Huber and Howard Pohl discussed the actual asset allocation to target ranges for the portfolios. Howard recommended that the Boards begin to bring the fixed income to equity asset allocations back to within target ranges over time starting with the Northern Trust Bond Index.

A motion was made by Buseman, seconded by Burns, to bring the fixed income to equity allocation back to within target ranges over time beginning with the Northern Trust Bond Index.

Gail Eiesland requested the board go into executive session to discuss legal issues and communications from Sherri Rotert with Boyce, Greenfield, Pashby & Welk related to an investment opportunity.

A motion was made by Dant seconded by Buseman, to enter executive session to discuss legal issues. Motion carried unanimously.

A motion was made by Burns, seconded by Dant, to exit executive session.

A motion was made by Buseman seconded by Bianchi, to allow staff to work with legal counsel to propose changes to the pension ordinances for recommendation to the Mayor and City Council for adoption. Motion carried unanimously.

Denny Matthews, Fire Pension Fund Trustee, shared some health insurance premium numbers with the boards. Denny is planning to retire and has done some research on the cost of health coverage for retirees through the City's offerings compared to the individual health plan market. The City's plans have a substantially higher premium than the individual health plans reviewed. While the premiums may be different, it is important to remember that costs can be impacted by plan design, demographics, risk pool size and claim experience. The material was for information purposes only, as Gail Eiesland stated that the Mayor holds the decision-making authority pursuant to charter

provision, ordinance, and executive order on the type of group health plan offered to employees and retirees.

**A motion was made by Dant, seconded by Bianchi, to adjourn the meeting.
Motion passed unanimously.**

The Board adjourned at 11:15 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer