

Minutes
Employee's Retirement System Board of Trustees
February 10, 2010
Quarterly Meeting

Call to Order: Chair Dave Nadolski 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
Dave Nadolski
Mark Sivertson

Board Members Absent: None

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

Others present: Howard Pohl, Becker, Burke & Associates

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

Sherri Rotert with Boyce, Greenfield, Pashby & Welk was present to discuss a legal matter on a contract.

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

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

The Board will hold a special meeting on April 8th to discuss contract issues.

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

Howard Pohl presented the Board with the 2009 fourth quarter performance report. The market value of the Plan increased from \$224.7 million to \$231.4 million. The funds had a rate of return of 3.6% in the fourth quarter compared to the 3.5% median of the Becker, Burke Plan universe. The annual return was 25.2% compared to the median of 19.4%. Results for the past five years of 4.6% were above the 3.4% median. The Plan had 51% of

its quarter end assets with domestic equity managers, 18% in international developed markets, 3% in international emerging markets, 25% in domestic bonds and 2% in real estate. The total plan had top third performance relative to all plans in the quarter and was top quartile for the year. It was top quartile for five years and ten years. Risk, as measured by the fluctuation of quarterly returns was top quartile, while the reward/risk ratio was above average.

Tom Huber and Howard Pohl discussed the actual asset allocation to target ranges for the portfolios. It was noted that the targets for real estate remain out-of-balance per the Boards previous direction.

The Boards reviewed the Statement of Investment Policies and Objectives and discussed possible changes. Tom Huber recommended changing the target allocation reference under the Diversification section from "U.S. Long Term Bonds" to "Fixed Income (U.S. Dollar Denominated)" to be consistent with the current individual manager policy and provide for future flexibility in determining the duration of the fixed income portfolio.

Peggy Dant asked the procedure for remaining outside of target ranges. It was discussed that currently this required a motion by the Board to authorize the Treasurer to remain outside of target. Upon discussion, it was recommended that clarification language be added to the investment policy Rebalanced to Target section as follows: "from time to time the Board of Trustees may authorize the treasurer to remain outside of target ranges based on current market conditions".

A motion was made by Goldammer, seconded by Buseman, to modify the Statement of Investment Policies and Objectives to incorporate both changes outlined above. Motion carried unanimously.

Dave Nadolski has been contacted by Fire Pension Fund retirees regarding the cost of retiree healthcare and changes to the City's Medical Benefits Advisory Committee. The retirees would like the City to consider giving them a lump-sum stipend so they can go and buy their own insurance coverage. Similar discussion was held last year during the February meeting, wherein Chief Assistant City Attorney 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. According to the retirees, the City's plans have a substantially higher premium than individual health plans available. Bill O'Toole stated that many factors drive the cost of coverage including plan design, demographics, risk pool size and claim experience. Angie Uthe informed the group that there have been retirees who have tried to secure coverage in the private market, but have been turned down due to a pre-existing condition. It was also pointed out that if the City were to change to a stipend, it would need to be for all retirees and that the City would not be able to offer a choice between a stipend or group health insurance. Offering a choice between group health insurance and/or a stipend would create problems. More specifically, adverse selection would likely result in the existing group plan and diminished numbers in the group plan would mean an even smaller pool to spread the risk and higher premiums would result. O'Toole also explained that the manner in which the City provides healthcare to employees and retirees was a policy decision for the City of Sioux Falls and not under the authority of

the pension board. O'Toole stated that the board could most certainly make recommendations.

Bill O'Toole also addressed the changes associated with the Medical Benefits Advisory Committee. O'Toole began by explaining that the Medical Benefits Advisory Committee was created by Executive Order and Executive Orders are administrative policies under the sole discretion of the Mayor. O'Toole explained that certain members on the committee failed to understand their role on this committee and were conveying misinformation to retirees about their healthcare. Discussion was held on when and how information is shared with the retirees. Nadolski asked the police and general board trustee representatives if they had heard of or were aware of any concerns from their respective members on either of these issues and no concerns were expressed or shared.

Fire Board Chair Randy Farland is going to contact the individuals that talked with Nadolski and offer to set up a meeting with them and the City to discuss the issues.

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

The Board adjourned at 11:10 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer