

Minutes
Employee's Retirement System Board of Trustees
February 16, 2011
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
Peggy Dant
Shawna Goldammer
Donn Hill
Angeline Lavin
Dave Nadolski

Board Members Absent: None

Staff Members Present: Bill O'Toole, Director of Human Resources
Tracy Turbak, Director of Finance
Tom 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: Firefighters' Pension Fund Board of Trustees members: Mike Havlovic, Paul Livermore & Mark Sivertson
Howard Pohl, Becker, Burke & Associates
Brian Monroe, Principal, Sawgrass Asset Management
Marty LaPrade, CFA Partner, Sawgrass Asset Management

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

Brian Monroe, principal, and Marty LaPrade, partner, with Sawgrass Asset Management LLC, presented an update to the Board, including a brief review of the firm, their investment philosophy and style, the recent performance of the portfolio, and their outlook on the market going forward.

A motion was made by Lavin, seconded by Goldammer, to approve the January 19, 2011 special meeting minutes. Motion carried unanimously.

Howard Pohl presented the Board with the 2010 fourth quarter performance report. The market value of the Plan increased from \$248.0 million to \$263.7 million. The funds had a rate of return of 6.6% in the fourth quarter compared to the 6.9% median of the Becker, Burke Plan

universe. The annual return was 14.6% compared to the median of 13.9%. Results for the past five years of 5.6% were above the 4.4% median. The Plan had 51% of its quarter end assets with domestic equity managers, 17% in international developed markets, 3% in international emerging markets, 24% in domestic bonds, and 5% in real estate. The total plan had top quartile performance relative to all plans in the quarter and was top quartile for the year. It was also top quartile for five years and top decile for 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 all allocations are within target ranges.

The Board reviewed the Statement of Investment Policies and Objectives as a part of the annual review. No changes were recommended.

Discussion was held on hiring a consultant to lead the discussions and analysis on system alternatives and plan design changes. The Board discussed the scope of the project and authorized staff to issue a Request for Proposal (RFP) consistent with the following project scope:

- 1) Identify system alternatives and plan design changes to reduce and stabilize the City's annual contribution rates.
- 2) Conduct cost analysis on system alternatives and design changes that include short and long-term financial impact, including projected volatility to contribution rates.
- 3) Issue a final report to pension boards with identified recommendations.
- 4) Complete project on or before August 1, 2011.

Once the RFP process is completed and proposals received, the board will review RFP responses, identify which consultants to interview, and will make an appropriate selection.

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

The Board adjourned at 10:50 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer