

**Minutes  
Employee's Retirement System Board of Trustees  
August 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  
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: Randy Farland, Paul Livermore, Matthew McAreavey & Mark Sivertson  
Howard Pohl, Becker, Burke & Associates (via phone)  
Cavanaugh Macdonald Consultants: Tom Cavanaugh, Patrice Beckham, Eric Gary & Brent Bannister

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

**A motion was made by Goldammer, seconded by Dant, to approve the May 11, 2011 meeting minutes. Motion carried unanimously.**

**A motion was made by Dant, seconded by Goldammer, to approve the May 24, 2011 special meeting minutes. Motion carried unanimously.**

Howard Pohl, via phone, presented the Board with the 2011 second quarter performance report. The market value of the Plan increased from \$274.7 million to \$279.3 million. The funds had a rate of return of 1.7% in the second quarter compared to the 1.1% median of the Becker, Burke Plan universe. The annual return was 24.6% compared to the median of 19.5%. Results for the past five years of 6.0% were above the 4.8% median. The Total Plan had 50% of its quarter end assets with domestic equity managers, 17% with international developed markets, 3% with international emerging markets, 25% 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 decile for the year. It was top quartile for five years.

Risk, as measured by the fluctuation of quarterly returns was top quartile, while the reward/risk ratio was above average.

Pohl also reviewed the board's annualized returns from December 31, 1994, through June 30, 2011, illustrating the following results:

<b>Total Fund</b>	<b>9.1%</b>
Domestic Equity	9.8%
S&P 500	8.6%
International Equity	8.1%
EAFE	5.3%
Fixed Income	8.0%
Barclays Aggregate	6.7%

Board members asked Pohl about the appropriateness of reducing the investment return assumption from 7.75%, especially in light of the low fixed income rates available now and in the intermediate future. Pohl did not recommend making any change to the investment return assumption at this time.

Howard Pohl stated that Kermit Eck with Cooke & Bieler is retiring and recommended we invite his replacement to the next quarterly meeting for introduction to the Board.

Ann Boden reviewed the actual asset allocation to target ranges for the portfolio. All allocations are within the target ranges set by the Board.

Actuarial consultants Cavanaugh Macdonald Consulting (Cav Mac) reviewed the results of the Actuarial Audit of the December 31, 2010 Valuation completed by Gabriel, Roeder, Smith & Company (GRS). Final Audit report will be submitted to the Board in the near future.

The overall results were as follows:

- 1) The actuarial assumptions used in the December 31, 2010, valuation are generally appropriate and reasonable, but recommend revisiting several assumptions.
- 2) The actuarial funding method is a commonly used method and was properly applied.
- 3) The asset smoothing method is not a common method and recommends moving to a method that smoothes difference in actual and expected return on market value.
- 4) The December 31, 2010, valuation results accurately reflect the financial condition of the Systems and contribution rates set out in the funding policy based on the assumptions and methods being used.
- 5) Information provided meets GASB reporting standards.
- 6) Valuation performed in accordance with actuarial standards.
- 7) The actuarial work provided to City of Sioux Falls by GRS is sound.

8) The financial position of the City's Retirement systems is properly measured.

9) The contribution rates are accurately calculated.

Cav Mac led the discussion regarding the Plan Design Study project. Topics included: purpose and scope of project, benefit financing (funding equation), retirement design strategy, retirement plan overview, definition of risks, plan design considerations, summary of defined benefit plan designs, observations of current DB plan, relative impact of plan changes, cost impact of changes to existing DB plan, current plan cost projections, alternative plan designs, review of new hires moving to SDRS, new hires in a DC Plan, challenges to the health plan – plan design considerations, health plan cost projections, and next steps.

Cost impact of potential plan changes were noted as follows:

Greatest savings

- Benefit multiplier
- Retirement eligibility
- COLAs
- Eliminate spiking

Large savings

- Final average pay
- Form of payment

Small savings

- Vesting
- Interest on employee contributions
- Pre-retirement death and disability benefits
- Early retirement reduction factors

CavMac modeled several design issues for board discussion and review on staff designed computer software. For example, CavMac illustrated potential savings by increasing employee pension contributions, removing spiking, establishing an amortization floor, and new employees moving to SDRS to show the relative impact of various proposals.

The Board invited CavMac to the November 9, 2011, Board meeting for further discussion and analysis.

**A motion was made by Dant, seconded by Goldammer, to enter into Executive Session pursuant to SDCL 1-27-1.5(2) and 1-25-2 to review confidential medical records for purposes of determining continued disability benefits for retiree Nyhus, and pursuant to SDCL 1-27-1.5(2) and (7) and 1-25-2 to review application for disability benefits for employee Tischler. Motion carried unanimously.**

**A motion was made by Goldammer, seconded by Burns, to exit executive session. Motion carried unanimously.**

**A motion was made by Burns, seconded by Hill, to continue disability benefits for Todd Nyhus. Motion carried unanimously.**

**A motion was made by Goldammer, seconded by Dant, to deny the disability application of Joe Tischler, as the application did not meet the eligibility requirements for a non-duty incurred disability as specified under City Ordinance 35-35.**

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

The Board adjourned at 2:50 p.m.

Respectfully submitted,

Angie Uthe  
Recording Officer