

**Minutes  
Employee's Retirement System Board of Trustees  
August 14, 2013  
Quarterly Meeting**

Call to Order: Chair Peggy Dant called the meeting of the Employee's Retirement System Board of Trustees to order at 8:30 a.m. at the Main Library.

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  
Thomas Huber, Assistant Director of Finance  
Gail Eiesland, Deputy City Attorney  
Angie Uthe, Compensation & Benefits Manager  
Kathy Pottebaum, Payroll/Benefits Specialist  
Ann Boden, Financial Analyst

Others present: Firefighters' Pension Fund Board of Trustees members: Randy Farland, Matt McAreavey & Mark Sivertson  
Howard Pohl & Mary Nye, 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.

**A motion was made by Nadolski, seconded by Burns, to approve the May 8, 2013 meeting minutes. Motion carried unanimously.**

Howard Pohl presented the Board with the 2013 second quarter performance report. The market value of the Plan increased from \$326.8 million to \$327.6 million. The funds had a rate of return of 0.4% in the second quarter compared to the 0.3% median of the Becker, Burke Plan universe. The annual return was 14.8% compared to the median of 11.3%. Results for the past five years of 7.3% were above the 5.2% median. The Total Plan had 53% of its quarter end assets with domestic equity managers, 17% with international developed markets, 3% with international emerging markets, 22% in domestic bonds, and 6% in real estate. The total plan had top quartile performance relative to all plans in the quarter and was in the top decile for the year. It was top decile 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, 2013, illustrating the following results:

<b>Total Fund</b>	<b>9.1%</b>
Domestic Equity	10.1%
S&P 500	9.0%
International Equity	7.2%
EAFE	4.8%
Fixed Income	7.8%
Barclays Aggregate	6.4%

Howard Pohl and Louise Gates reviewed the Asset Liability Study, which showed the plan remaining very well-funded over the next 40 years based on current contribution rates and average returns from the current asset allocation.

**A motion was made by Goldammer, seconded by Hill to hire a tax attorney to provide an opinion on the use/transfer of the projected excess funds in the 401H account due to plan design changes including closing down future retiree access to the City's health plan. Motion carried unanimously.**

Tom Huber briefly discussed the current asset allocation of the portfolio. He also reviewed the following five-year objectives to fully recognize the impact of the plan design changes: stabilize and reduce city contribution rates, reduce the investment assumption, fully implement the new mortality table, and maintain the current wage inflation assumption.

Mary Nye reviewed the results for the Emerging Market Fund Manager search. They received twenty-one responses and presented eight firms to the Board for consideration.

**A motion was made by Hill, seconded by Burns to invite the following three firms in for interviews in November: The Vanguard Group, Inc., Vontobel Asset Management, Inc., Wells Capital Management, Inc. Motion carried unanimously.**

**A motion was made by Nadolski, seconded by Goldammer, to enter into executive session pursuant to SDCL 1-25-2 and 1-27-1.5(2), review of personal medical records for purposes of determining eligibility for ongoing disability benefits. Motion carried unanimously.**

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

**A motion was made by Nadolski, seconded by Burns, to continue disability benefits for Ronald Schwint. Motion carried unanimously.**

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

The Board adjourned at 11:00 a.m.

Respectfully submitted,

Angie Uthe  
Recording Officer