

**Minutes**  
**Employee's Retirement System Board of Trustees**  
**August 9, 2017**  
**Quarterly Meeting**

Call to Order: Chair Angeline Lavin 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: Matthew Adamson  
Cathy Bianchi  
Donn Hill  
James Larson  
Angeline Lavin  
Amy Richardson  
Lon Tiggelaar

Board Members Absent: None

Staff Members Present: Tracy Turbak, Director of Finance  
Thomas Huber, Assistant Director of Finance  
Bill O'Toole, Director of Human Resources  
Angie Uthe, Compensation & Benefits Manager  
Kathy Pottebaum, Payroll/Benefits Specialist  
Ann Boden, Business Analyst  
Angie Richmond, Paralegal

Others present: Firefighters' Pension Fund Board of Trustees members: Randy Farland, Matt McAreavey, Mark Sivertson & Tyler Stewart  
Howard Pohl & Peter Brown, AndCo Consulting  
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 Bianchi, seconded by Adamson, to approve the May 10, 2017 meeting minutes. Motion carried unanimously.**

Howard Pohl and Peter Brown presented the Board with the 2017 second quarter performance report. The performance in the quarter of 3.9% ranked near the top quartile versus all plans within the AndCo Consulting plan universe and was above the policy benchmark. The annual 14.3% return was top quartile, but just below the policy bogey, while the five year 10.5% ranked in the top decile and beat the policy. The market value of the Fund increased from \$429.3 million to \$445.8 million in the quarter.

Huber reviewed the Investment Allocations and Manager Structure and there were no recommended changes or actions.

Tom Huber updated the Board on progress with closing the 401(h) to the 115 Trust. The 115 Trust has been approved by the IRS. In addition, the City received a favorable re-determination letter for both the Pension Trusts.

Huber informed the Board that US Bank has completed the cash raise sufficient to fund the 115 Trust. The funds will be transferred to the City and subsequently to the 115 Trust. The remaining balance of assets in the 401(h) will be transferred to the City and subsequently to the Pension Trust prior to year-end.

In preparation for the projection study presentation by Louise Gates, Huber provided the board with the current pension plan status as of January 1, 2017:

	<b>Employees Retirement System</b>
Members Active (Retired/Vested)	723 (693)
Market Value	\$407.4 million
Asset Value (actuarial)	\$413.1 million
Funded Ratio (actuarial)	92.1%
Investment Assumption	7.5%
Amortization	22 years
Wage Inflation	4.25%
Unallocated Income Reserve	\$22 million
Five-Year Returns (6/30/2017)	10.52%
Ten-Year Returns (6/30/2017)	6.77%
City Contributions	\$11.6 million
Employee Contributions (expected)	\$3.2 million

Huber also reviewed the boards prior Five-Year Objectives (2013-2018) which included stabilizing and declining contribution rates, updating mortality tables from 1983 Table to RP 2000 projected to 2020, reducing investment assumption from 7.75% to 7.25%, and maintaining wage inflation assumption of 4.25%. All were noted as being achieved with the investment assumption within range and currently at 7.5%.

Louise Gates reviewed the Pension Plans Projection Study as part of an ongoing review process post pension plan closure. Specifically, the projection study addressed whether the current investment return assumption of 7.5% was achievable over the next 20 years based on the current investment mix, what the projected pension plan population looked like over the next 25 years, the projected city contribution rates over the next 25 years if all actuarial assumptions are met, what level of investment loss can be covered by the Unallocated Income Reserve, and what pension plan projections look like under an assumed 6.5% investment return.

The board discussed the study and the need to reduce the investment assumption based on requested modeling and as gains may allow, review mortality tables upon release of updates, and consider adjusting the wage inflation assumption in conjunction with other assumption modifications to better reflect economic trends.

Howard Pohl and Peter Brown will provide follow-up asset allocation modeling at the November meeting as part of the ongoing review and to assist in the review of Plan goals and objectives.

Given the closed status of the pension plan, the board agreed it was appropriate to engage in these studies about every five years to assist with plan governance.

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

The Board adjourned at 10:50 a.m.

Respectfully submitted,

Angie Uthe  
Recording Officer