

**Minutes
Firefighters' Pension Fund Board of Trustees
November 9, 2011
Quarterly Meeting**

Call to Order: Chair Randy Farland called the meeting of the Firefighters' Pension Fund Board of Trustees to order at 8:30 a.m. at City Hall.

Board Members Present: Randy Farland
Donn Hill
Paul Livermore
Matthew McAreavey
Mark Sivertson

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: Employee's Retirement System Board of Trustees members:
Cathy Bianchi, Matt Burns, Peggy Dant, & Dave Nadolski
Howard Pohl, Becker, Burke & Associates
Cavanaugh Macdonald Consultants: Tom Cavanaugh, Patrice
Beckham, Eric Gary & Brent Bannister

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

A motion was made by Hill, seconded by McAreavey, to approve the August 16, 2011 meeting minutes. Motion carried unanimously.

Howard Pohl presented the Board with the 2011 third-quarter performance report. The market value of the Plan decreased from \$101.7 million to \$91.3 million. The funds had a rate of return of -10.1% in the third quarter compared to the -10.3% median of the Becker, Burke Plan universe. The annual return was 1.8% compared to the median of 1.1%. Results for the past five years of 2.9% were above the 2.4% median. The total Plan had 48% of its quarter-end assets with domestic equity managers, 15% with international developed markets, 3% with international emerging markets, 27% in domestic bonds, and 6% in real estate. The total plan had bottom quartile performance relative to all plans in the quarter, but was above average for the year. It was near top third 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 September 30, 2011, illustrating the following results:

Total Fund	8.7%
Domestic Equity	9.2%
S&P 500	7.5%
International Equity	6.5%
EAFE	3.9%
Fixed Income	8.4%
Barclays Aggregate	6.9%

Howard Pohl mentioned that the Prudential Real Estate allocation was slightly higher than the target range as purchases and redemptions are only completed at the end of each quarter. It was advised to leave the allocation as is.

Howard Pohl stated the Board may want to consider conducting a search for an active manager in Emerging Markets to replace the current indexing strategy. Upon discussion, the Board agreed to review active versus passive performance results net of fees at the next meeting prior to conducting a complete search. The Board also briefly discussed other investment options, including commodities that should be considered in the future. Howard will provide the Board additional information on commodity performance and characteristics at the next meeting.

Actuarial consultants Cavanaugh Macdonald Consulting (CavMac) led the discussion regarding the Plan Design Study project. CavMac modeled several design issues for board discussion and review on staff-designed computer software to show the relative impact of various proposals.

Cost impact of potential plan changes for future hires were noted as follows:

Cost Impact of Potential Plan Design Changes for Future Employees		
Employee Group	City Contribution Estimated Rate Change	Alternative Plan Designs
General	Reduction from 8.2% to 5.0%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 5%
General	Reduction from 8.2% to 3.5%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 5%, increase normal retirement age to 65/5 years of service, Final Average Pay average of 5 years, reduce COLA max to 2%
General	Reduction from 8.2% to 4.0%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 5%, increase normal retirement age to 65/5 years of service
General	Reduction from 8.2% to 3.7%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 5%, increase normal retirement age to 65/5 years of service or age 60/30 years of service, reduce COLA max to 2%

Police Fire	Reduction from 11.4% to 7.0% Reduction from 11.4% to 8.0%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 10%
Police Fire	Reduction from 11.4% to 5.8% Reduction from 11.4% to 6.1%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 10%, Final Average Pay average of 5 years, reduce COLA max to 2%
Police Fire	Reduction from 11.4% to 6.5% Reduction from 11.4% to 7.9%	Eliminate vacation and sick leave pay in Final Average Pay, increase member contribution to 5%, Final Average Pay average of 5 years
Police Fire	Reduction from 11.4% to 6.7% Reduction from 11.4% to 8.5%	Eliminate vacation and sick leave pay in Final Average Pay, increase normal retirement age to 55/25 years of service or age 60/15 years of service, reduce COLA max to 2%

CavMac also discussed access to the City's health plan upon retirement. Current retirees would have no change in their access to the City's health plan. Future employees would not be provided any benefit for health care upon retirement. The following option was proposed for current employees upon retirement:

- Change the benefit to a fixed-dollar subsidy
 - Tier level of benefit based up service – i.e. \$20 per month per year of service
 - Provide COLA on benefit
 - Benefit for retiree only
 - Subsidy ends when retiree reaches age 65 – Medicare eligibility

It was noted that leaving the health care benefit as currently structured may become unaffordable for future retirees and the above option is a responsible alternative. Depending on the employee group, the change to a fixed-dollar subsidy for health care has the potential to reduce the City's contribution rates by approximately 3% to 6.5%.

The Board will be holding a special meeting on January 4, 2012 to review the final report on plan design changes from CavMac with the goal to provide recommendations to the Mayor after the February 8, 2012 quarterly meeting.

A motion was made by McAreavey, seconded by Sivertson, to adjourn the meeting. Motion passed unanimously.

The Board adjourned at 2:50 p.m.

Respectfully submitted,

Angie Uthe
Recording Officer