

**Minutes
Firefighter's Pension Fund Board of Trustees
May 11, 2011
Quarterly Meeting**

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

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

Board Members Absent: Mike Havlovic

Staff Members Present: Bill O'Toole, Director of Human Resources
Tracy Turbak, Director of Finance
Thomas 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, Shawn Goldammer &
Angeline Lavin
Howard Pohl, Becker, Burke & Associates
Louise Gates, Gabriel Roeder Smith & Company

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

Matt McAreavey with IAFF Local 814 addressed the Board on behalf of the union members. McAreavey stated that the union had implemented a health and pension committee to help with communications of pension issues. He also asked that the Board and administration remember that members have to vote on any issues that impact pension benefits.

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

Louise Gates presented the board with the December 31, 2010 Annual Actuarial Valuation. The City's pension contribution rate is 25.21% and added with a health insurance/GASB OPEB rate of 9.65%, the overall contribution rate for 2012 will be 34.86% of payroll. This reflects a total contribution increase of 1.96% from the 2011 contribution rate of 32.9%. The report indicated a pension funded ratio of 87.0% for 2010 up from 86.4% in 2009. The retiree health funded ratio was 37.7%; up from 35.3% in 2009.

Gates reminded the board that the economic investment assumption was 7.75% and the wage inflation assumption was 4.25%. Gates noted that the reduction from twenty-seven

pay periods in 2009 to 26 pay periods in 2010 had a positive impact on valuation analysis. She recommends the Board consider conducting IRC 401(h) testing to stay in compliance with regulations, as the last testing was completed in 2008.

Tom Huber presented the Board with the 2010 Annual Financial Report.

The report was compiled in accordance with the City's pension ordinances and includes two attached statements which are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are published as part of the City's Comprehensive Annual Financial Report. The GAAP reports showed an increase in net assets from \$86.5 million to \$97.1 million for the year ending December 31, 2010.

Uthe presented the board with the 2010 pension logs indicating retirements, refunds, deferred retirements, and deaths in the Firefighter's Pension Fund.

A motion was made by Hill, seconded by Livermore, to approve the 2010 pension logs for both divisions noting the retirements, refunds, deferred retirements, and deaths. Motion carried unanimously.

A motion was made by Hill, seconded by Sivertson, to nominate Randy Farland as Board Chairperson. Motion carried unanimously.

A motion was made by Sivertson, seconded by Hill, to nominate Paul Livermore as Board Chairperson Pro Tem. Motion carried unanimously.

Howard Pohl presented the Board with the 2011 first quarter performance report. The market value of the Plan increased from \$96.8 million to \$100.9 million. The funds had a rate of return of 4.4% in the first quarter compared to the 4.1% median of the Becker, Burke Plan universe. The annual return was 15.4% compared to the median of 12.7%. Results for the past five years of 5.6% were above the 4.5% 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 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.

Tom Huber and Howard Pohl discussed actual asset allocation to target ranges for the portfolio. Howard Pohl recommended that the Board revise manager allocations to increase the target weighting to STW Intermediate Bonds from 5% to 7.5% of the total portfolio and decrease the weighting to the NTGI G/C Bond Index from 10% to 7.5% of the total portfolio to add diversification in both sector and duration.

A motion was made by Sivertson, seconded by Livermore, to modify the target percent for manager allocations within U.S. Bonds to: 7.5% in STW Intermediate Bonds and 7.5% in NTGI G/C Bond Index. Motion carried unanimously.

A motion was made by Hill, seconded by Sivertson, to enter into executive session pursuant to SDCL 1-25-2, 1-27-1.6(6) and 1-27-1.9 to discuss proprietary data and proprietary information, and for the purpose of engaging in the decisional or deliberative process in reviewing the Proposals Submitted for Pension Plan Design Modification and Actuarial Consultant Services. Motion carried unanimously.

A motion was made by Sivertson, seconded by Hill, to exit executive session. Motion carried unanimously.

A motion was made by Hill, seconded by Sivertson, to conduct interviews with Cavanaugh Macdonald Consulting, LLC and Milliman. Motion carried unanimously.

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

The Board adjourned at 11:15 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer