

**Minutes
Firefighter's Pension Fund Board of Trustees
August 16, 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
Matthew McAreavey
Mark Sivertson

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

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

A motion was made by Livermore, seconded by Sivertson, to approve the May 11, 2011 meeting minutes. Motion carried unanimously.

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

Howard Pohl presented the Board with the 2011 second quarter performance report. The market value of the Plan increased from \$100.9 million to \$101.7 million. The funds had a rate of return of 1.6% 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 6.2% 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:

Total Fund	9.6%
Domestic Equity	10.5%
S&P 500	8.6%
International Equity	8.1%
EAFE	5.3%
Fixed Income	8.2%
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 Hill, seconded by McAreavey, to adjourn the meeting. Motion passed unanimously.

The Board adjourned at 2:30 p.m.

Respectfully submitted,

Angie Uthe
Recording Officer