

Minutes
Employee's Retirement System Board of Trustees
August 12, 2009
Quarterly Meeting

Call to Order: Acting Chair Judy Buseman called the meeting of the Employee's Retirement System Board of Trustees to order at 8:30 a.m. at City Hall.

Board Members Present: Cathy Bianchi
Matt Burns
Judy Buseman
Peggy Dant
Mark Sivertson

Board Members Absent: Shawna Goldammer
Dave Nadolski

Staff Members Present: Bill O'Toole, Director of Human Resources
Gene Rowenhorst, 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, Accountant

Others present: Howard Pohl, Becker, Burke & Associates
Billy Williams, STW

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 Dant seconded by Burns to approve the May 7, 2009 meeting minutes. Motion carried unanimously.

Howard Pohl presented the Board with the 2009 second quarter performance report. The market value of the Plan increased from \$169.7 million to \$195.2 million. The funds had a rate of return of 15.1% in the second quarter compared to the 13.2% median of the Becker, Burke Plan universe. The annual return was -17.4% compared to the median of -15.6%. Results for the past five years of 3% were above the 2% median. The Total Plan had 49% of its quarter end assets with domestic equity managers, 20% with international, 28% in domestic bonds, and 3% in real estate. The total plan had top decile performance relative to all plans in the quarter, but was below average for the year. It was top third for five years. Risk, as measured by the fluctuation of quarterly returns was top quartile, while the reward/risk ratio was top quartile.

Billy Williams (in-person) and Andrew Chorlton (via phone) from STW provided an overview on the events within the fixed income market over the past year and an update on the current position of the portfolios. In addition, Billy discussed the following action items: the need for a slight fee increase in order to comply with STW's most favored nation policy (approximately 2.5 basis points based on current combined market

valuations), the need for the City to provide QIB certification that the Plan assets exceed \$100 million which makes them eligible for the purchase of privately offered securities pursuant to Rule 144A under the Securities Act of 1933, and that STW would recommend that the Board consider revising the investment policy to allow for the purchasing of BBB securities.

A motion was made Dant seconded by Sivertson, to approve the fee increase for STW.

A motion was made by Burns seconded by Bianchi to approve a revision to the investment policy to allow for the purchase of BBB category securities. Motion carried unanimously.

A motion was made Dant seconded by Sivertson, to revise the investment policy to allow for the Qualified Institutional Buyer (QIB) certification process with signature/notification authority handled by the Finance Director or designee. Motion carried unanimously.

Tom Huber and Howard Pohl reviewed the Investment Allocation Report. Tom noted that the administration will continue to slowly rebalance the bond portfolio. Howard recommended that the City continue to refrain from further investments into the index funds at this time and to continue to remain outside of target for real estate. It was agreed that no action was necessary pursuant to the motion approved at the previous meeting.

Howard reviewed an analysis of the Systems' asset mix in relation to various risk and return assumptions and correlation forecasts. Based on the review, Howard stated that he was pleased with how close the current asset allocation structure was in relation to the optimized model and recommended that the Board maintain the current asset allocation structure.

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

The Board adjourned at 11:00 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer