

Minutes
Employee's Retirement System Board of Trustees
May 8, 2012
Quarterly Meeting

Call to Order: Chair Dave Nadolski 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: Cathy Bianchi
Peggy Dant
Shawna Goldammer
Donn Hill
Angeline Lavin
Dave Nadolski

Board Members Absent: Matt Burns

Staff Members Present: Bill O'Toole, Director of Human Resources
Tracy Turbak, Director of Finance
Thomas Huber, Assistant Director of Finance
Gail Eiesland, Deputy City Attorney
Angie Uthe, Compensation & Benefits Manager
Kathy Pottebaum, Payroll/Benefits Specialist
Ann Boden, Financial Analyst

Others present: Firefighters' Pension Fund Board of Trustees members: Randy Farland, Matt McAreavey & Mark Sivertson
Howard Pohl, Becker, Burke & Associates
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 Goldammer, seconded by Bianchi, to approve the February 6, 2013 meeting minutes. Motion carried unanimously.

Louise Gates presented the board with the December 31, 2012 Annual Actuarial Valuation. The 2012 valuation of the Employee's Retirement System reflects plan design changes, including modifications in assumptions and methods proposed as a result of the recent study of System experience. These changes include an update to the mortality table, withdrawal and retirement rates used in the annual valuations of the System. A "reset" of the asset valuation method and changes to the method used to amortize unfunded liabilities of both the Pension Plan and the Retiree Health Plan are also reflected in this report.

The report indicated that the general division had a funded ratio of 79.3% for pension benefits and 393.3% for retiree health benefits as of December 31, 2012. The report indicated that the police division had a funded ratio of 84.7% for pension benefits and 195.6% for retiree health benefits as of December 31, 2012. These ratios reflect the

impact of closing the retiree health plan and implementing the stipend for any member that retires on or after 1/1/14.

The results of the valuation identify the City's 2014 pension contribution of \$7,702,379 for the general division and \$3,860,628 for the police division.

A motion was made by Lavin, seconded by Dant, to approve the 2012 Actuarial Valuation. Motion carried unanimously.

A motion was made by Dant, seconded by Lavin, to authorize Gabriel Roeder Smith to recalculate the 2011 valuation to redirect the 2013 OPEB contribution to pension. Motion carried unanimously.

Tom Huber presented the Board with the 2012 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 \$269.5 million to \$308 million for the year ending December 31, 2012.

A motion was made by Lavin, seconded by Goldammer, to approve the 2012 Annual Financial Report. Motion carried unanimously.

Uthe presented the board with the 2012 pension logs indicating retirements, refunds, deferred retirements, and deaths in the general and police divisions.

A motion was made by Dant, seconded by Goldammer, to approve the 2012 pension logs for both divisions. Motion carried unanimously.

A motion was made by Goldammer, seconded by Lavin, to nominate Peggy Dant as Board Chairperson effective immediately. Motion carried unanimously.

A motion was made by Lavin, seconded by Bianchi, to nominate Shawna Goldammer as Board Chairperson Pro Tem. Motion carried unanimously.

Howard Pohl presented the Board with the 2013 first quarter performance report. The market value of the Plan increased from \$307.9 million to \$326.8 million. The funds had a rate of return of 6.3% in the first quarter compared to the 6.3% median of the Becker, Burke Plan universe. The annual return was 11.9% compared to the median of 9.7%. Results for the past five years of 6.8% were above the 5.0% median. The Total Plan had 52% of its quarter end assets with domestic equity managers, 17% with international developed markets, 3% with international emerging markets, 23% in domestic bonds, and 6% in real estate. The total plan had top quartile performance relative to all plans in the quarter and was in the top decile for the year. It was top decile 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 March 31, 2013, illustrating the following results:

Total Fund	9.2%
Domestic Equity	10.1%
S&P 500	9.0%
International Equity	7.4%
EAFE	4.9%
Fixed Income	8.2%
Barclays Aggregate	6.6%

Pohl recommended the Board conduct a search for an active fund manager for International Emerging Market Funds.

A motion was made by Nadolski, seconded by Lavin, to proceed with an Active Fund Manager search. Motion passed unanimously.

Tom Huber briefly discussed the current asset allocation of the portfolio compared to target range. Based on prior recommendation from Howard and Board action, the commitment to real estate continues to be slightly overweight relative to the target range.

Pohl and Gates discussed the criteria of the upcoming Asset Liability Model Study and will plan to present the findings at the August Board meeting.

O'Toole informed the Board that the City Council approved 2nd reading of the pension ordinance changes. Human Resources staff will now work on implementing all of the approved changes.

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

The Board adjourned at 11:00 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer