

**Minutes
Firefighters' Pension Fund Board of Trustees
November 10, 2010
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
Mike Havlovic
Donn Hill
Angeline Lavin
Paul Livermore

Board Members Absent: None

Staff Members Present: Bill O'Toole, Director of Human Resources
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: Mayor Mike T. Huether
Howard Pohl, Becker, Burke & Associates
Employee's Retirement System Board of Trustees members:
Cathy Bianchi, Matt Burns, Peggy Dant, Shawn Goldammer,
Dave Nadolski, Mark Sivertson

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

Mayor Huether attended the meeting to discuss the impact of the pension costs on the City budget and opportunities for change. The Mayor indicated that he would like the Board to look at all possible options in order to make the most informed and fiscally responsible recommendation(s) possible. The Mayor stated that his request for this analysis is based on the rising costs of pension funding on the City budget. For example, the City's contributions have doubled in the last five years. There are no specific dollar-target savings in mind and he is not targeting either the employees or retirees when it comes to any changes. Mayor Huether thanked the boards for their stewardship and recognized that this is not any easy task and may become very controversial; however, it is necessary and the financially responsible thing to do.

Employee's Retirement System (ERS) Board Chairman Dave Nadolski asked the Mayor if he could identify a specific goal for the board, such as looking to stabilize the funding or reduce the budget. Mayor Huether said a specific goal was hard to identify, but he believes it is absolutely necessary to control the rising cost of the pension plans and the impact on City budgets. ERS Trustee Shawna Goldammer stated she was opposed to continued studies with no action and asked the Mayor for specific direction. Mayor

Huether asked that the Board be as prudent as possible and noted that the prudent use of some dollars today for various studies may lead to significant cost savings in the future.

With approval from Mayor Huether, Chairman Farland opened the floor to audience members who would like to ask a question of the Mayor or Board concerning this matter. Questions/comments included:

What options, other than what has already been studied, are you going to look at?
The board was requested to deal with "spiking" due to overtime in the last three years of employment and look at the amortization period.
How can current retirees help and be proactive in the process?
When will the changes be made and will they be permanent?

Questions and comments were responded to by the Mayor and/or the Board. ERS Board Chairman Nadolski responded that everything is on the table. Trustee Angeline Lavin gave a brief overview of the difference between defined benefit plans and defined contribution plans.

Trustee Donn Hill identified five options for board consideration:

1. Do nothing with the pension and reduce city services.
2. Eliminate the pension plan and join the state system.
3. Make changes to benefits to reduce cost.
4. Adjust the funding ratio between the city and employees.
5. Change plan design.

Discussion was held on the process for comments and further request for studies. The boards will hold additional special meetings to focus on the issue at hand, with a deadline of six months for a recommendation to the Mayor and City Council.

Mayor Huether excused himself from the meeting around 9:30 a.m.

A motion was made by Lavin, seconded by Hill, to approve the August 4, 2010 meeting minutes. Motion carried unanimously.

A motion was made by Hill, seconded by Lavin, to approve the October 27, 2010 special meeting minutes. Motion carried unanimously.

Howard Pohl presented the Board with the 2010 third-quarter performance report. The market value of the Plan increased from \$83.5 million to \$91.3 million. The funds had a rate of return of 10.0% in the third quarter compared to the 9.5% median of the Becker, Burke Plan universe. The annual return was 11.4% compared to the median of 10.5%. Results for the past five years of 5.0 % were above the 3.6% median. The Total Plan had 51% of its quarter-end assets with domestic equity managers, 17% with international developed markets, 3% with international emerging markets, 25% in domestic bonds, and 4% in real estate. The total plan had top decile 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.

Howard Pohl and Tom Huber discussed the current asset allocation-to-target ranges for the portfolios, noting that we will be back on the 5% target allocation for Real Estate by the end of 2010 per the Board's August 4, 2010 motion. Pohl recommended the Board invite Sawgrass representatives to the next meeting to discuss their performance and to closely monitor their ongoing performance. There was brief discussion led by Pohl on the proposed GASB (Governmental Accounting Standards Board) changes and the potential impact on pension system funding. Implementation of the regulations will be phased in over multiple years. The Board asked Pohl to be prepared to discuss the GASB changes at an upcoming meeting.

The Board set the 2011 quarterly board meetings as follows: February 16, May 11, August 10 and November 9. Special board meetings to discuss pension system changes will be held on December 15, 2010 and January 19, 2011.

Bill O'Toole informed the Board that Rob Wylie, Executive Director of the South Dakota Retirement System (SDRS), stopped by his office to offer any assistance or information needed about SDRS in the decision making process.

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

The Board adjourned at 10:35 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer