

**Minutes
Employee's Retirement System Board of Trustees
May 11, 2011
Quarterly Meeting**

Call to Order: Chair Pro Tem Shawna Goldammer 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
Peggy Dant
Shawna Goldammer
Donn Hill
Angeline Lavin

Board Members Absent: Dave Nadolski

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: Firefighters' Pension Fund Board of Trustees members: Randy Farland, Paul Livermore & 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 Dant, seconded by Burns, 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 for the general division is 12.86% and added with a health insurance/GASB OPEB rate of 5.53%, the overall contribution rate for 2012 will be 18.39% of payroll. This reflects a total contribution increase of .33% from the 2011 contribution rate of 18.06%. The report indicated that the general division had a funded ratio of 91.0% for 2010 up from 89.2% in 2009. The retiree health funded ratio was 42.7%; up from 38.4% in 2009.

The City's pension contribution rate for the police division is 20.72% and when added with a health insurance/GASB OPEB rate of 8.95%, the overall contribution rate for 2012 will be 29.67% of payroll. This reflects a total contribution increase of 1.23% from the 2011 contribution rate of 28.44%. The report indicated that the police division had a funded ratio of 86.7% for 2010 up from 85.1% in 2009. The retiree health funded ratio was 37.2%; up from 35.4% 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 \$232.6 million to \$264.8 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 General and Police divisions.

A motion was made by Dant, seconded by Burns, 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 Burns, seconded by Dant, to nominate Dave Nadolski as Board Chairperson. Motion carried unanimously.

A motion was made by Bianchi, seconded by Dant, to nominate Shawna Goldammer 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 \$263.7 million to \$274.7 million. The funds had a rate of return of 4.3% in the first quarter compared to the 4.1% median of the Becker, Burke Plan universe. The annual return was 15.2% compared to the median of 12.7%. Results for the past five years of 5.4% were above the 4.5% 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 5% in real estate. The total plan had top quartile performance relative to all plans in the quarter and was near the 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 Lavin, seconded by Bianchi, 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 Dant, seconded by Lavin, 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 Lavin, seconded by Dant, to exit executive session. Motion carried unanimously.

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

A motion was made by Bianchi, seconded by Burns, to enter into executive session pursuant to SDCL 1-25-2 and 1-27-1.5(2), review of personal medical records for purposes of determining eligibility for ongoing disability benefits. Motion carried unanimously.

A motion was made by Burns, seconded by Dant, to exit executive session. Motion carried unanimously.

A motion was made by Burns, seconded by Bianchi, to continue disability benefits for Linda Smith. Motion carried unanimously.

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

The Board adjourned at 11:15 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer