

**Minutes
Firefighter's Pension Fund Board of Trustees
May 7, 2009
Quarterly Meeting**

Call to Order: Chairman Denny Matthews called the meeting of the Firefighter's Pension Fund Board of Trustees to order at 1:00 p.m. at the Law Enforcement Center.

Board Members Present: Denny Matthews
Randy Farland
Judy Buseman
Angeline Lavin
Jason Herrboldt

Board Members Absent: none

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, Human Resources Manager
Kathy Pottebaum, Benefits Technician
Ann Boden, Accountant

Others present: Howard Pohl, Becker Burke & Associates
Louise Gates, Gabriel Roeder Smith & Company

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

Sherri Rotert with Boyce, Greenfield, Pashby & Welk was present to review draft ordinance revisions regarding investment of assets.

A motion was made by Buseman seconded by Herrboldt, to submit the recommended revisions to Ordinance 35-113 to the Mayor for his review and submission to the City Council. Motion carried unanimously.

A motion was made Buseman, seconded by Lavin, to approve the February 4, 2009 meeting minutes. Motion carried unanimously.

Louise Gates presented the board with the December 31, 2008 Annual Actuarial Valuation. The City's pension contribution rate is 19.97% and added with a health insurance/GASB OPEB rate of 8.33%, the overall contribution rate for 2010 will be 28.30% of payroll. This reflects a total contribution increase of 3.22% from the 2009 contribution rate of 25.08%. The report indicated a pension funded ratio of 91.2% for 2008 down from 95.3% in 2007. The retiree health funded ratio was 30.8%; up from 23.5% in 2007.

Gates reminded the board that the economic investment assumption was 7.75% and the wage inflation assumption was 4.25%. The board had some discussion with Gates about possible changes to the systems in light of the continuing increase in funding costs. She reviewed actions taken by other funds which included offering incentives to retire early, opting out of retiree health care, capping employer contributions, establishing benefit tiers for eligibility and lengthening the amortization years. Gates discussed potential changes in industry Standard of Practice #44 regarding the selection and use of Asset Valuation Methods for pension valuations. Gates will keep us updated on any impact to our systems should the industry standard change.

Howard Pohl presented the Board with the 2009 first quarter performance report. The market value of the Plan declined from \$71.3 million to \$64.2 million. The funds had a rate of return of -8.5% in the first quarter compared to the -6.4% median of the Becker, Burke Plan universe. The annual return was -28.5% compared to the median of -24.6%. Results for the past five years of .4% were above the -0.2% median. The Total Plan had 46% of its quarter end assets with domestic equity managers, 17% with international, 33% in domestic bonds, and 4% in real estate. The total plan had bottom quartile performance relative to all plans in the quarter and for the year. It was above average for five years. Risk, as measured by the fluctuation of quarterly returns was top third, while the reward/risk ratio was above average.

Tom Huber reviewed the recommended investment policy guidelines for Sawgrass Asset Management, LLC and Cooke & Bieler, including notice from Cooke & Bieler regarding potential conflicts on classifications of domestic versus international companies. The board discussed the policy recommendations along with reviewing the existing investment policy guidelines with STW Fixed Income Management. The Boards were also provided an update from STW regarding several bond rating downgrades.

A motion was made by Farland, seconded by Buseman, to approve the two new investment policy guidelines. Motion carried unanimously.

Tom Huber and Howard Pohl reviewed the Investment Allocation Report. Lengthy discussion was held on the target levels and shift in allocations due to market conditions. It was noted that rebalancing to emerging markets is currently on hold awaiting the change in ordinance as well as allocating into the indices due to the securities lending pools.

A motion was made by Lavin seconded by Farland, to allow real estate to continue outside of target, to increase the target allocation of the two active large-cap equity managers (Sawgrass and Cooke & Bieler) from 11% to 12% and reduce the large-cap index to 11%, and to continue to make progress in rebalancing the STW bond portfolio by trading to the best interest of the account and using normal cash flows as much as possible. Motion carried unanimously.

Tom Huber presented the Board with the 2008 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 a decrease in net assets from \$99.0 million to \$71.4 million for the year ending December 31, 2008.

A motion was made by Farland, seconded by Buseman, to accept the 2008 Annual Financial Report. Motion carried unanimously.

Uthe presented the board with the 2008 pension log indicating retirements, refunds, deferred retirements, and deaths in the system.

A motion was made by Farland seconded by Herrboldt, to approve the 2008 pension log noting the retirements, refunds, deferred retirements, and deaths. Motion carried unanimously.

Staff indicated that this was the last meeting for Board Trustee Denny Matthews, as he is retiring. The Board signed the Resolution of Trustee Vacancy to initiate the election process.

A motion was made by Lavin, seconded by Herrboldt, to elect Randy Farland as the new chairperson for the Firefighters' Pension Fund Board of Trustees. Motion carried unanimously.

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

The Board adjourned at 3:45 p.m.

Respectfully submitted,

Angie Uthe
Recording Officer