

**TAB 1**

GENERAL EMPLOYEES' PENSION PLAN  
BOARD OF TRUSTEES  
CALLED MEETING  
March 2, 2009

Board Members Present:

Ray Dielman, Citizen  
Jim Freeman, City Clerk  
Gracie Johnson, Employee Representative  
Ellen Leonard, Citizen  
Allen Tusing, Citizen  
Tanya Lukowiak, Employee Representative

Board Members Absent:

Jim Terry

Staff and Others Present:

Charlie Mulfinger, Citi Group  
Mike DeGenova, Citi Group  
Sam Borland, Renaissance  
Scott Christiansen, Christiansen and Dehner  
Deanna Roberts, Administrative Assistant

**1. CALL TO ORDER**

Vice Chair Ray Dielman called the meeting to order at 8:35 a.m. Chair Ellen Leonard entered shortly afterwards.

**2. APPROVAL OF MINUTES**

**MOTION: Mr. Tusing moved, Mrs. Lukowiak seconded, and motion carried unanimously to approve the January 20, 2009 minutes.**

**3. ELECTION OF OFFICERS**

**MOTION: Mrs. Lukowiak moved, Mrs. Johnson seconded, and motion carried unanimously to appoint Ray Dielman as Chair of the General Employees' Pension Board of Trustees.**

**MOTION: Mrs. Lukowiak moved, Mrs. Johnson seconded, and motion carried unanimously to appoint Jim Freeman as Vice Chair of the General Employees' Pension Board of Trustees.**

**MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried unanimously to appoint Tanya Lukowiak as secretary of the General Employees' Pension Board of Trustees.**

**4. INVESTMENT REVIEW (Sam Borland)**

Mr. Borland, representing Renaissance, gave an overview of his firm, its strategies and projections. The company was founded in 1978. Renaissance manages about \$5.1 billion, all in growth equity; small cap, large cap, domestic and international. A copy of his presentation is attached to these minutes.

Renaissance is a high-quality growth companies manager. It combines quantitative and qualitative analyses to build its portfolio of the 50-60 best companies. He explained the investment process; the screening and scoring of companies. Any company whose stock scores out of the top 100 of the subset of 500 will go on watch and out of the top 200 will be sold. They sold out of AIG based on this model. They took a loss, but didn't ride the stock all the way down to its current price of fifty cents per share.

Mr. Borland described the portfolio characteristics of as of December 31, 2008. Renaissance exhibited a strong balance sheet compared to the benchmark. Holdings per sector were described on page 12. Last year the benchmark was down 38.5% and the Renaissance portfolio was down 36%. It was not a good year for equities in general. Using the philosophy described, Renaissance has been able to outperform the benchmark, the Russell 1000 Growth, in every down market going back to the company's inception, and generally outperforms in up markets as well. Year-to-date, the benchmark is down 12% and Renaissance is down 10%. Historically, they do well coming out of this type of environment.

He said we are in a deep recession, but Renaissance does not project a depression. The stimulus plan should begin having an impact April 1 though the end of September. Due to these fiscal and monetary policies, equities should bounce back. Based on historical averages, the market should come back around July or August 2009, and should come back rapidly.

The same basic investment criteria are also applied to the international strategy; the same philosophy and a similar process. Emerging markets have a 33% maximum exposure and 40% maximum in any one sector. The sell discipline is the same. Regional and country allocations were outlined on page 13; Western Europe had a 47% allocation and North America 22%.

Renaissance was down 45% last year, the benchmark was down 43%; however, in every major time period except for last year, going back fourteen years, Renaissance significantly outperformed the benchmark in the international space.

Internationally, Renaissance likes emerging markets; they are the cheapest in history.

Mrs. Lukowiak departed the meeting at 9:27 a.m.

#### **INVESTMENT REVIEW -Charlie Mulfinger**

Mr. Mulfinger presented a report of the fund performance from the end of September to February 26, 2009. Except for bonds, all numbers were high negatives. The fund is overweight in bonds which means the cash that has built up, \$151, 810, if it were to be invested, would be going into stocks, not into bonds.

Mr. Mulfinger said there is about \$9 trillion waiting on the sidelines in money markets and bank savings accounts due to fear. That is the reason Renaissance said that the market will go up quickly when it does, but he is not that comfortable saying the same thing.

The City had asked him to look at potential strategies for the cash that had built up if it didn't want to put it back in the market. He looked at CD rates and his latest figures show that the City would have to go past one year to get above 1.5%. But, CD's are higher than treasuries and a lot of money markets are not accepting new cash. He found Treasury Inflation Protected Securities (TIPS) interesting. A TIP gives a coupon rate of return somewhere between 1.5 – 2.5 % return plus inflation, but if inflation is negative, they don't subtract. The policy prohibits investing in gold, a commodity.

Strategist Tobias Lekovich, points to a panic environment, but says opportunity exists; the market is cheap now. He provided the strategist's article to the Board. Again, Mr. Mulfinger opined that based on everything he's learned, you don't want to change policy, you don't want to go less into market. But, he did provide the alternatives as requested, and he thinks the TIP would be the best potential for policy return. The CD would be the most conservative.

Mr. Dielman reiterated his position that his concern is capital preservation. If the money goes into CDs, he would like to see them laddered. He would like to see this as a short-term strategy; not much over 18 months, preferably 6-12 months. Mr. Tusing urged staying within the policy, but he would go along with the CDs as long as they weren't locked in for a long period of time. When the market rebounds, he does not want to miss any opportunities. Mr. Freeman said he preferred TIPS or CD's, but not for over three months. Mr. Mulfinger interjected that he preferred the CDs because TIPS would put the City that much more out of policy.

**MOTION:** Mr. Freeman moved, and Mr. Tusing seconded a motion to invest the idle cash and any future cash into a three-month CD.

**MOTION:** Mr. Freeman amended his motion to invest the current cash on hand, \$151,000 plus, into a three-month CD and keep future contributions in cash until the next meeting. Mr. Tusing seconded the amended motion and the amended motion passed unanimously.

Mr. Dielman left the meeting at 9:55 a.m. Mr. Freeman took over as chair of the meeting.

#### 5. EXPENSE APPROVAL

Mrs. Johnson questioned the cost of the benefit calculations on the December and January GRS invoice. Attorney Christiansen said GRS is supposed to charge \$250.00 per employee calculation. It appears they charged \$250.00 for each "option" on the PLOP for a single employee, or four different calculations for a total of \$1,000.00.

**MOTION:** Mrs. Johnson moved, Mr. Tusing seconded and motion carried 4-0 to ratify the payment of expenses as presented.

Mr. Freeman will call GRS and inquire about the charges for the calculations.

#### 6. BENEFITS DISBURSEMENT APPROVAL

- A) Ronald J. Koper (DROP Participant)
- B) Freddie L. Freeman (PLOP Participant)

**MOTION:** Mr. Tusing moved, Mrs. Leonard seconded, and motion carried 4-0 to approve the retiree benefits disbursement for Ronald J. Koper and Freddie L. Freeman.

#### 7. PROPOSED ORDINANCE: PENSION PROTECTION ACT OF 2006

Ordinance to ensure the Plan is in compliance with the Pension Protection Act of 2006, Internal Revenue Service regulations, changes to the Internal Revenue Code and Regulations, and changes to State law.

**MOTION:** Mr. Tusing moved, Mrs. Johnson seconded, and motion carried 4-0 to approve the proposed ordinance and forward it to City Commission for consideration.

#### 8. SUMMARY PLAN UPDATE

Mr. Christiansen informed the Board that the Summary Plan description has to be updated every two years, and it was last done in March 2007. After being updated, it must be distributed to all members of the pension plan. He said the substantive changes include adding the PLOP and the timing change on non-spouse and spouse benefits. Mr. Christiansen will bold the changes before sending the document out. Per Board comments, he will update Exhibit A.

**MOTION:** Mrs. Leonard moved, Mr. Tusing seconded and motion carried 4-0 to approve the Summary Plan update.

#### 9. DISCUSSION: ACTUARY'S PROPOSED 5-YEAR PROJECTION

Actuary Steve Palmquist is proposing and seeking authorization to perform a five year projection which will show the impact of returns on the required contribution.

After discussion, the Board decided **not** to authorize the five-year projection. Instead, the Board would prefer to have the actuary look at changes in methodology to lessen the impact of the additional funding the plan will likely require. This would be done under the normal annual review.

**MOTION:** Mr. Tusing moved, Mr. Freeman seconded, and motion carried 4-0 not to authorize Mr. Palmquist to perform the five-year projection, but to instruct him to look at smoothing methods for the plan to lessen the amount the city may have to pay in subsequent years, after first having Mrs. Ponder get the cost to the city for that information before proceeding.

10. ATTORNEY'S REPORT

Discussed a bill introduced into the federal legislature for an investment option for pension plans. It is part of the stimulus package, and the funding option would be guaranteed by the government to return 8.5%. The City should take a look at this, but it has not yet been passed.

11. OTHER BUSINESS

Discussion of meeting schedule.

Mr. Freeman said the remaining meeting dates for 2009 are June 1, September 28 and November 30. All meetings are on Monday beginning at 8:30 a.m. Mrs. Leonard asked again why there are four months between the June and September meetings. Mr. Christiansen will check the dates and get back to the Board.

The next meeting will be June 1, 2009.

Mr. Tusing moved to adjourn the meeting. The meeting was adjourned at 10:40 a.m.

Minutes approved:

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James R. Freeman, City Clerk