TAB 1

GENERAL EMPLOYEES' PENSION PLAN
BOARD OF TRUSTEES
June 1, 2009

Board Members Present:
Ray Dielman, Citizen
Jim Freeman, City Clerk
Gracie Johnson, Employee Representative
Ellen Leonard, Citizen
Jim Terry, Citizen
Allen Tusing, Citizen

Board Members Absent:
Tanya Lukowiak, Employee Representative

Staff and Others Present:
Scott Christiansen, Christiansen and Dehner
Steve Palmquist, Gabriel Roeder Smith
Charlie Mulfinger, Citi Group
Mike DeGenova, Citi Group
Diane Ponder, Deputy Clerk-Administration

Chairman Dielman called the meeting to order at 8:30 am.

1. APPROVAL OF MINUTES

MOTION: Mr. Freeman moved, Mr. Tusing seconded and motion carried 6-0 to approve the March 2, 2009 minutes.

2. INVESTMENT REVIEW

Kelly Greene, Wells Fargo, reviewed the strategy of managing the large cap and mid cap growth portfolio. She explained that the firm looks at all facets of a company before making a decision to purchase and then closely monitors the investment so that it is disposed of at the opportune time. She opined the investment philosophy is the greatest strength, so performance over the long-term is realized.

Mr. DeGenova, Citi Group, then reviewed the economy, giving negative numbers through the middle of March, at which time the market began to improve and closed at 8500 on May 29th. He discussed the programs the FED is instituting to purchase "toxic" securities off the balance sheets of banks, and the bank stress tests, which energized the market. Lower quality stocks have led the recovery. Mr. DeGenova described the quarter as volatile, but stated the quarter ended on a better note.

Mr. Mulfinger stated the Board's directive to put the cash (approximately $150,000) in CD's was followed. The portfolio's balance as of March 31, 2009 was $6,078,237, which realized a loss net-of-fees of $386,640.58 for the quarter. He reviewed the Summary of Relevant Facts, Breakdown of Returns, Valuation & Performance, Compliance Checklist and Consulting & Management Fee Billing Summary reports, all of which are attached hereto and made a part of these minutes. In addition to the summary reports, Mr. Mulfinger discussed the performance of the managers. All managers have had a positive alpha and a positive sharp; on a short-term basis, mid-cap managers Golden and Renaissance have not performed yet on a risk-adjusted basis. He informed the Board Equity is out of compliance at 60.70% vs. a Policy range of 62 % to 65%. He also stated the bond International Lease is out of compliance. At Citi Group's request, documentation has been received from the entity stating that the bond held by AID will be held until a 2010 maturity.

Discussion ensued on receiving the investment data with updated information. Mr. Mulfinger explained there is no data basis available that will update information for the managers except for quarter-end performance numbers. He stated the Plan's numbers are updated to a date just prior to quarterly meetings. Mr. Terry commented on the fact that data the Board reviews is dated and requested that the Summary of Relevant be available to him as of 15 days prior to the meeting. He commented on the fact he has requested the authority to view the accounts on a daily basis, which was authorized by the Board. Mr. Terry also commented that "maybe the Board should be a more hands on manager". Mr. Mulfinger discussed the Board's authority to choose the asset allocation, based on his advice, which is then carried out by the investment managers. Mr. Terry discussed the Plan's last ten year's performance, questioning if "it is the right steps for this Board to take". He opined the Board needs to look at how the Plan is managed and suggested that a different investment alternative should be researched. Mr. Mulfinger recommended not making a change from the current policy, while Mr. Terry suggested the asset allocation should be changed to more fixed. Mr. Mulfinger discussed the ramifications to the Plan and City from an actuarial standpoint should that type of asset allocation occur. Mr. Dielman stated that if the Board was going to hold a discussion of this type, formal data is necessary, so alternatives can be compared; the Board has a fiduciary responsibility to the employees to preserve the capital of the Plan. Mr. Terry stated he would like to have active management of the Plan. Mr. Mulfinger again stated he would not recommend doing anything different.

3. 2008 ACTUARIAL VALUATION REPORT

Steve Palmquist, Gabriel Roeder Smith, distributed information on the investment market's performance, comparing this decade to the past. With a 60/40 stock/bond allocation 21 years were negative for the past 83 years. The information also revealed the returns this decade were just as bad as during the Great Depression.

Mr. Palmquist reviewed the October 1, 2008 Actuarial Valuation Report.

For fiscal year-end 2010, the required employer contribution as a percent of covered payroll will be $866,196 or 21.59% of covered payroll vs. $639,505 for fiscal year-end 2009 required contribution of $639,605 or 16.59% of covered payroll. The 5% increase in the contribution amount is due to several factors: 1) Reduction in the investment earnings assumption rate of 7.75% to 7.5%, net of investment expenses (1% of the increase); 2) Net actuarial loss of $1,446,623 (4% of the increase); and 3) lower than expected employee turnover.

Mr. Palmquist discussed the asset smoothing method currently used to determine the contribution vs. the Market Value method. The asset smoothing method generally produces a more consistent required contribution amount. Market Value would have calculated a contribution rate of 23.64% rather than the 21.59%.

Mr. Palmquist briefly commented on the annual payment on the unfunded liability of $455,732 being larger than the normal service cost (occurring in the current year) of $346,870, stating it is a "somewhat unusual" occurrence. He also commented on the funded ration of 61.4%, stating it is a low number compared to other plans.

Other key components explained by Mr. Palmquist were the actuarial value of accumulated plan benefits, assumed salary increases and the unfunded actuarial accrued liability 15 year amortization period (which if increased can lessen the cost of the plan), and the actuarial value of assets smoothing method currently at a 10% corridor (a vast majority of plans use the state mandate of a 20% corridor, which lessens the cost of the plan). He opined that "loosing less on a downturn is extraordinarily important" because of the amount of time it takes to recoup the losses. He also stated the report's findings are typical of his clients across the state.

Mr. Freeman pointed out that the salary increase assumption may not be realistic going forward, given that last year there was only a 2% increase and this year there will probably be no increase. Mr. Palmquist stated that if the salary assumption rates are kept the same, and at the end of next year the actual increase is less, there will be an experience gain that will help to reduce the cost of the plan. If the Board determines the assumption rate is too high long-term, then the rate can be revised lower. Mr. Palmquist also stated the assumption rate is also based on whatever makes up a salary, including overtime pay, not solely on a pay increase. He also stated that if the assumption is reduced by one percent, that action could lower the cost by two to three percent of payroll.

Mr. Palmquist then reviewed various alternatives that were studied to mitigate the annual required contribution amount increase, as follows:

1. Change the amortization period of gains and losses, which will have less of an impact on the required contribution for FYE September 30, 2010 (as noted in the following chart).

	Reduction in the Annual Required Contribution for the FYE 9/30/2010	
Amortization period for gains & losses beginning FYE 9/30/08	As a percent of pay	As a dollar amount
20	0.55%	$22,061
25	0.85%	$34,231
30	1.04%	$41,549

2. Change the asset smoothing method to one that phases in the difference between the actual and expected investment earnings over a period of five years and uses a 20% corridor around market value (a savings of 1.5% of payroll, or $61,507).

3. Change the asset smoothing method and use 25 years for the amortization of actuarial gains or losses (a savings next year of 2.38% of payroll, or $95,783).

Mr. Freeman advised the Board that in addition to this approximate $225,000 expense increase, an initial estimate from the Property Appraiser's Office indicates a reduction in ad valorem taxes by 11 – 14%, a potential loss of $400,000-$500,000. He also discussed the large impact of approximately $300,000 the Police Officers' pension Plan will experience. He suggested that spreading the amortization to 25 years and adopting the smoothing method of 20% would be two things the Board should consider.

MOTION: **Mr. Freeman moved, Mrs. Johnson seconded and motion carried 6-0 to accept the October 1, 2008 Actuarial Valuation Report, with the changes to amend the asset smoothing method to 20% from 10%, extend the amortization period to 25 years from the current 15 years.**

Attorney Christiansen reminded the Board they are also accepting the reduction in the expected investment rate of return from 7.75% to 7.5% that is contained in the Report.

MOTION: **Mr. Tusing moved, Mr. Freeman seconded and motion carried 6-0 to declare that based on the advice of our investment professionals and/or actuary, the Board of Trustees declare that the Board does not expect to make 7.5% total expected annual rate of investment return for the next year, but does expect to make 7.5% for the next several years, and the long- term thereafter, net of investment related expenses.**

4. PROPOSED ACTUARIAL SERVICES AGREEMENT
Attorney Christiansen stated the Board was not negotiating a new contract with Gabriel Roeder Smith and Company at this time. The correspondence from the firm relating to the topic will be held until it is applicable for the Board to consider.

5. APPROVAL OF EXPENSES
A) Christiansen & Dehner: February, March and April 2009

MOTION: Mr. Freeman moved, Mrs. Johnson seconded and motion carried 5-0 to ratify the paid expense as presented.

B) Gabriel Roeder Smith & Company: February, March and April 2009

Mr. Palmquist discussed the cost to resolve the issue brought forward by a retiree concerning whether retirement benefit payments from Crown Life would decrease the payments from the current Plan. Attorney Christiansen confirmed Crown Life was an insurance component that used to pay a portion of the retirement benefits for life; when the insurance benefit paid out the Plan had to then begin paying the difference. All affected employees have been identified and employee files have been documented as to the proper procedure for beneficiary payments.

MOTION: Mr. Freeman moved, Mrs. Johnson seconded and motion carried 5-0 to ratify the paid expense as presented.

6. APPROVAL OF RETIREMENT BENEFIT
A) Richard Carter, Jr. DROP Participation

MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried 5-0 to approve the participation of Richard Carter, Jr. in the DROP for a term beginning June 1, 2009 and terminating on or before June 1, 2014.

7. APPROVAL OF RETIREMENT BENEFIT ADJUSTMENT
A) Robert G. Williams

MOTION: Mr. Freeman moved, Mrs. Johnson seconded and motion carried 5-0 to approve a monthly retirement benefit increase of $65.88 payable to the beneficiary of Robert G. Williams, and approve the payment of a retro-active benefit payment from July, 2006 through April, 2009 of $2,305.80.

B) Richard Allard, Sr.

MOTION: Mr. Freeman moved, Mrs. Johnson seconded and motion carried 5-0 to approve a monthly retirement benefit increase of $25.00 payable to the beneficiary of Richard Allard, Sr., and approve the payment of a retro-active benefit payment from January, 2009 through April, 2009 of $100.00.

8. ATTORNEY CHRISTIANSEN'S REPORT
Reminded the Board that Form 1 Statement of Financial Disclosure is due to be filed with the Supervisor of Elections by July 1, 2009.

Requested a copy of the adopted ordinance implementing the IRS changes, and confirmed it was distributed to the state.

Confirmed with staff that the Summary Plan Description was distributed to the employees.

Requested that staff confirm the Investment Policy was distributed to the state, the actuary and the City. Reported Charles Slavin has retired from the state and was replaced by Doug Beckendorf.

Discussed with Mr. Palmquist the way PLOP benefits are calculated vs. DROP participants. A PLOP benefit calculation requires 25 different options that must be calculated, thus the increase in the calculation of $600 - $700 vs. $250 for a DROP calculation. Mr. Palmquist will provide a written proposal on the cost of calculating the PLOP benefit.

Meeting adjourned at 10:45 pm.

James R. Freeman
City Clerk

GENERAL EMPLOYEES' PENSION PLAN
BOARD OF TRUSTEES
CALLED MEETING
August 12, 2009

Board Members Present:
Ray Dielman, Citizen
Jim Freeman, City Clerk
Gracie Johnson, Employee Representative
Ellen Leonard, Citizen
Jim Terry, Citizen
Allen Tusing, Citizen

Staff and Others Present:
Scott Christiansen, Christiansen and Dehner
Diane Ponder, Deputy Clerk-Administration

Vice Chair Jim Freeman called the meeting to order at 4:12 p.m.

1. DISCUSSION: MANAGEMENT OF THE PLAN'S PORTFOLIO
James Terry discussed his concern with the management of the Plan, citing his belief the manager is not making any advisable choices concerning the individual managers and the investments being chosen. He opined neither the manager nor the Trustees are doing anything "wrong", but he felt the lack of communication between the manager and the Trustees of the Board is leaving the Plan and Trustees vulnerable. He opined the Board should do more management of the Plan, or it should be actively managed by a firm that is closer in proximity to the City, which would provide easier access to the Trustees and employees. Several members did not agree with the Trustees being actively involved in the management of the Plan.

Attorney Christiansen corrected the term manager vs. consultant, stating Citi Group is the consultant of the Plan, who helps select the investment managers. The managers are approved by the Board, and must adhere to the Plan's Investment Policy. The consultant reviews the performance of the managers with the Board, making recommendations when he feels action concerning any particular manger should be taken. He confirmed that Citi Group is a wrap type of investment management, selecting managers that are a part of its group.

The Board discussed Mr. Terry's suggestion that he feels it is time to do an RFP for consulting services. Mr. Freeman confirmed that the City is trying to provide preference to local businesses, provided that they can provide the same level of service. Discussion also ensued on requesting Mr. Mulfinger to benchmark his firm's performance against similar sized municipal plans, comparing investment fees and the return over the last year.

Referencing comments concerning the lack of communication, Mr. Freeman will work to implement the online service provided by Citi Group so the Trustees may access to review current information on the Plan.

MOTION: **Mr. Terry moved, Mr. Dielman seconded to investigate a new consultant, which would be issuing a request for proposal (RFP).**

Discussion: The Trustees decided that gathering comparative data for the August 31, 2009 meeting should be done before approving the issuance of an RFP. **Mr. Terry withdrew his motion and Mr. Dielman withdrew his second.**

MOTION: **Mr. Terry moved, Mr. Dielman seconded and motion carried 5-0 to acquire comparative data for the August 31, 2009 meeting on like-size plans, and then make the decision on whether or not to issue an RFP.**

The Board concurred that if the data is not gathered in a timely manner, a called meeting will be appropriate.

The August 31, 2009 agenda will contain an item to elect a secretary, as the position has been vacated with Tanya Lukowiak's terminated employment. The position will remain vacant until the November general election. The agenda will also contain an item to revisit the decision concerning the investment of cash contributions.

Mr. Mulfinger will be alerted that the Board is gathering benchmarking data for Plans of similar size, as part of an evaluation of the Plan's total investment practices.

MOTION: **Mr. Tusing moved, Ms. Johnson seconded and motion carried 5-0 to adjourn the meeting at 5:30 pm.**

James R. Freeman
City Clerk