

TAB 1

GENERAL EMPLOYEES' PENSION PLAN
BOARD OF TRUSTEES
August 31, 2009

Board Members Present:

Ray Dielman, Citizen
Jim Freeman, City Clerk
Gracie Johnson, Employee Representative
Ellen Leonard, Citizen
Jim Terry, Citizen

Board Members Absent:

Allen Tusing, Citizen

Staff and Others Present:

Scott Christiansen, Christiansen and Dehner
Charlie Mulfinger, Morgan Stanley
Mike DeGenova, Morgan Stanley
Diane Ponder, Deputy Clerk-Administration

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

1. APPROVAL OF MINUTES

MOTION: Mr. Freeman moved, Mrs. Johnson seconded and motion carried 5-0 to approve the June 1, and August 12, 2009 minutes.

2. INVESTMENT REVIEW

Mr. Mulfinger introduced Jonathan W. Cangalosi, a principal of Golden Capital Management, the portfolio's small cap strategy/core managers. Mr. Cangalosi gave a presentation of his firm, which manages approximately \$3 billion in assets, with 20 employees. He reviewed the firm's performance relative to the Plan's investments he manages, and how that performance compares to the benchmark. He voiced his confidence that the market will be over confident and will pull back, returning to fundamentals.

Mike DeGenova began the investment review by discussing how the market performed during the third quarter. Mr. Mulfinger reviewed the data for the quarter ending June 30, 2009, reporting the balance at \$6,783,780.57, a total gain, net-of-fees, of \$609,787.38 and an increase of ten percent. 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.

Mr. Mulfinger discussed the Board's decision to stay in the market, which resulted in a ten percent increase in value for the quarter. He reported that both equity and bonds are slightly underweighted, a result of the new monies coming into the portfolio being placed in cash. Mr. Mulfinger recommended that the Board consider balancing the portfolio equally at 17.5% for large cap value and large cap growth, to ensure long-term performance as the economy comes out of the recession.

Mr. Mulfinger briefly discussed the comparative date he prepared regarding fees that could be charged by the managers in the market, vs. the fee in the wrap program the portfolio currently pays. He also reviewed the report that shows every manager has a positive alpha over five years except Golden.

Mr. Mulfinger stated that the time to look at alternative investments, such as purchasing hedge funds is now; the market is high, having gone up 50% and hedge funds are purchased when the market is high. He stated this type of investment is a further attempt to diversify investments and protect the portfolio. He has had preliminary conversations with some hedge fund managers who have indicated they are willing to invest at a \$500,000 minimum, and recommended a maximum investment limit of ten percent of the portfolio. He stated the portfolio, because of its size is an accredited investor and can invest in a 3B1 hedge fund for alternative investments.

MOTION: Mr. Terry moved and Mrs. Leonard seconded to authorize Mr. Mulfinger to do a search and bring in three hedge fund managers for an interview.

Mr. Mulfinger confirmed the fees for any alternative investment are outside the wrap program. He stated that if the Board decides to participate in any alternative investment, a contract will have to be developed that breaks the fees for that type of investment apart from the current fee structure. The fees will be fees on fees; but the returns will be shown as net of fees.

The meeting to interview the hedge fund managers will be set for October 15 or 16. The Board will be notified of the meeting date and time.

Motion on the floor carried 5-0

3. APPROVAL OF EXPENSES

A) Christiansen & Dehner: June and July, 2009

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

4. ELECTION OF SECRETARY

MOTION: Mr. Dielman moved, Mrs. Leonard seconded and motion carried 5-0 to elect Jim Freeman as Secretary.

5. ATTORNEY'S REPORT

Reported Form 1 has been filed by all Trustees.

Reported he is having difficulty securing contracts from Gabriel Roeder Smith, relating to fees and the fiduciary liability.

Mr. Freeman reported he has not had an opportunity to do a full comparison with other cities. He reported that comparing just the Police and General Employees' Plan, the General Employees' return is based on calendar and Police based on fiscal year. He will get the fiscal year numbers for the General Employees and report back to the Board. The Bogdahn Group comparison will be utilized to also provide the data. Mr. Freeman also distributed a chart of monthly returns showing gross and net returns.

Mr. Dielman commented on the view rights to the portfolio on-line.

Mr. Dielman also commented on the Trustees' School October 4 – 7, 2009.

Meeting adjourned at 10:30 am.

General Employees' Pension Plan
Board of Trustees
August 31, 2009
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James R. Freeman
Secretary

GENERAL EMPLOYEES' PENSION PLAN
BOARD OF TRUSTEES
CALLED MEETING
October 16, 2009

Board Members Present:

Ray Dielman, Citizen
Jim Freeman, City Clerk
Ellen Leonard, Citizen
Jim Terry, Citizen
Allen Tusing, Citizen

Board Members Absent:

Gracie Johnson, Employee Representative

Staff and Others Present:

Scott Christiansen, Christiansen and Dehner
Charlie Mulfinger, Morgan Stanley
Mike DeGenova, Morgan Stanley
Diane Ponder, Deputy Clerk-Administration

Chairman Dielman called the meeting to order at 8:30 am. He requested that the meeting be adjourned not later than 10:00 am.

1. HEDGE FUND MANAGER PRESENTATIONS

Mr. Mulfinger explained the three managers that will make a presentation are non-qualified or credit qualified purchasers, because the Plan's balance is not over \$25 million. He opined the timing of considering alternative investments is perfect. He stated the process today is informational, as the proposed investments must be approved by ordinance, after which the Investment Policy must be amended. Mr. Mulfinger further explained that the three managers are not aggressive hedge fund managers; the objective is to diversify the Plan's investments.

Representatives from Ironwood Capital Management, Private Advisors Alternative Asset Management, and Pine Grove Associates, Inc. each made a private presentation to the Board, discussing the management team, size of assets under management, investment process and fees of their firm, and then entertained questions from the Board. Each representative departed the meeting after their presentation.

Mr. Mulfinger opined that all three firms are good firms and have "demonstrated real good success". He stated that Ironwood is the most aggressive of the three firms, with Private Advisors being the most conservative. He suggested that given the time it will take to adopt the necessary ordinance it would be advisable to rank the firm while the information is fresh. Attorney Christiansen also suggested it would be appropriate to rank the firms. The Board discussed each firm and ranked them Private Advisors #1, Pine Grove #2 and Ironwood Capital as #3.

Mr. Mulfinger will prepare information and make a presentation to City Commission concerning alternative investments.

2. INVESTMENT REVIEW

Mr. DeGenova discussed the economy's performance for the quarter ending September 30, 2009.

Mr. Mulfinger reported the Plan's portfolio balance as of September 30, 2009 at \$7,459,936.83, a total gain, net-of-fees, of \$712,564.64. 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.

Mr. Mulfinger stated that he will eventually suggest changes to the distribution of assets to make the growth and value equal percentages. He recommended no rebalance at this time, but did recommend that the Policy should be followed and cash deposits should be invested rather than be placed into CD's. He reported the cash account has a current balance of \$312,000, and it will be placed into a three-month CD unless directed otherwise by the Board. He recommended that as the CD's mature the funds should be moved into the asset allocation.

MOTION: Mr. Terry moved, Mrs. Leonard seconded and motion carried 5-0 to stop buying CD's due to the market rally, and as CD's mature, take the existing cash and matured cash and rebalance the portfolio to Policy.

Attorney Christiansen discussed the language he would recommend to allow the investment in alternative investments. Mr. Mulfinger discussed his intent to present the material to the City Commission as an effort to "dampen the risk".

MOTION: Mr. Tusing moved, Mr. Terry seconded and motion carried 5-0 to authorize Attorney Christiansen to draft a proposed ordinance to amend the investments to liberalize the investment language.

Mr. Freeman inquired if the Board would entertain an amendment to the Plan to allow him to opt back in to the Plan, with the understanding that his opt-in would be neutral to the Plan. He discussed his reasons for opting-out of the Plan at the time of his hire date with the City. Attorney Christiansen explained that the Plan can be amended to open a window of opportunity to allow department heads, as the only general employees allowed to opt-out, to opt back into the Plan as a new employee and contribute the actuarial amount to purchase credited service.

MOTION: Mr. Tusing moved, Mrs. Leonard seconded and motion carried 4-0 to authorize in the same ordinance for the change as described by the attorney. Mr. Dielman was absent for the vote.

Meeting adjourned at 10:40 am.

James R. Freeman
Vice Chair