

Minutes of a meeting of the Board of Trustees for
The Policemen's & Firemen's Pension Fund
May 11, 2010

The Board of Trustees met at City Hall on the above date at 9:00 a.m.

The following were present:

Mayor William Biggerstaff
Glenn Ladd, Police Chief
Dave Williams, Fire Chief
Kevin Roumas, Fire Department
Robert Masterson, Police Department
Ron Ball
Bob West
Traci Christian
Shirley Land
Anthony Bologna
Mike Blumlein
Pam Windsor
Jan Gall

Mayor William Biggerstaff called the meeting to order at 9:00 a.m.

Agenda Item – Approval of minutes: Glenn Ladd made a motion to approve the minutes of the February 9, 2010 meeting, seconded by Kevin Roumas. All voted “Yes”.

Mike Blumlein with Russell Investments addressed the attendees with the quarterly report starting with the financial and economic review. Economic recovery is continuing to play out as expected. General economic recovery in the United States has continued on a slow grind. A lot of economic indicators are trending in a positive way. The Fed's have kept rates low, as expected. Low rates are expected to continue. To late 2010 into 2011 there is no expected increase in Fed rates, as there is no inflationary pressure on the Fed to do anything right now. Unemployment still remains at 9.7% and it is estimated to be around 9.5% by year-end 2010.

GDP will probably end the year at 2.5 – 3%, which is what has been forecasted for the past six months. There are other factors going on around the world that could impact US recovery. China is tapping their brakes in an effort to slow down their economy and they are experiencing some inflationary pressures. Their housing market is more or less a deja vu of what occurred in the United States.

Oil prices have come down and a large quantity is being stockpiled around the world. Some strategists predict oil prices to be between \$50 and \$60 a barrel within the next few months.

Markets were positive in the first quarter, in general. Investors are beginning to seek out the riskier equities.

The quarter extended a riskier sector to the fixed income market, where our funds are overweight and continue to do well. Yield spreads are down and both investment grade and high yield make for good positive returns. Basically this fund has been doubling up the benchmark return due to its exposure to commercial mortgage-backed securities and non-agency mortgage-backed securities. The yield spreads on investment grade are getting into normal ranges again, so the tactical play in investment grade credit may have come to an end, with investment grade being pretty neutral to Treasuries. As we continue through this period of volatility in the market it may be time to take off the 5% tactical play that was put into investment grade credit. Eventually we will start to see the inflationary pressures creep into the long credit market. The Fixed Income I Fund, which is a shorter duration fund, will be able to react quicker to those changes in

interest rates if inflation creeps into the economy. It may be time to go back to the full 40% weight in Fixed Income I in the next few months. At the next meeting this recommendation may be made. Investment Managers feel the most bullish sectors of the market are Emerging Markets, US Large Growth and Technology, with Treasuries very bearish due to the low interest rate environment.

Account Performance:

Since inception the Fund is about 40 basis points ahead of benchmark at gross of fee return. The one year marks show the Fund 570 basis points ahead of benchmark, with a large part of this attributed to the Fixed Income Fund which out-performed by over 1300 basis points over the one-year period. At end of first quarter, 2010, the Fund is at 40 basis points ahead of benchmark.

Agenda Item – Bob West / Legislative Report

Bob West reported there hasn't been a lot of legislative activity this session that would affect the Fund. The only thing that might have some interested is that a bill making its way through that probably has a good chance of being passed that's going to permit the state auditor to come in and do a performance audit. Currently, the state auditor can request to do a performance audit, but not have to be given access to the pension funds.

Audits are performed to determine best practices, evaluating items such as expenditures, due diligence, selection of advisors, etc.

Bob West suggested that if the bill passes, the Board use procedures involved in these audits as one of the two annually required educational sessions.

Attendance to the MAPERS conference July 13 – July 15 was discussed. Ron Ball expressed interest in attending. The Board was unanimously in favor of Ron Ball attending the 2010 MAPERS conference.

Agenda Item – Discussion on changes of internal process upon resignation of Sanders Booze services.

Mayor Biggerstaff informed the Board on the resignation of Sanders Booze services, effective June 2010, as there has been a change to their business direction. Sanders met previously with Mayor Biggerstaff and Shelley Harrell to discuss current process.

Human Resources Manager, Jan Gall further explained the process involved for new retirees and changes to existing accounts in regards to our current internal procedure and McCloud and Nichols and Sanders Booze responsibilities and assistance.

Jan Gall also addressed the Board regarding a recent webinar presented by State Street introducing their web-based solution for pension payment distribution, changes to current member accounts and addition of new members. This process would require an internal person to submit approval through the website before monthly pension payments could be generated and distributed.

Glenn Ladd made a motion that the Plan stay with the current process vs. change to a web-based process. This to include Secretary, Shelley Harrell, assuming the responsibilities previously carried out by Sanders Booze. Dave Williams seconded the motion. All voted "yes".

Agenda Item – Bob West - Review proposed Plan language for required physicals for participants receiving disability benefits.

Reference: **City Code Section 264.170, Recovery from Disability**. This section currently states that mandatory annual physicals be performed for all retirees receiving disability pension. At the February 2010 meeting the Board discussed a revision to Section 264.170 that would change the annual physical from mandatory to a discretionary requirement by the Board.

After Board review and discussion of the proposed revision, as presented by Bob West, Glenn Ladd made a motion to present the changes to the to City Council for approval. Dave Williams seconded the motion. All voted "yes".

Agenda Item – Bob West - Review proposed Plan language for restatement of the Pension Plan for submission to the IRS.

The deadline for IRS submission is January 31, 2011. The Plan will need to be restated to include recent legislative changes and recent major IRS regulatory changes that apply to the Plan. Amendments still needing to be adopted before the January 31, 2011 deadline for submission reference City Code Section 2.64.180, Death Benefits and City Code Section 2.64.060, Years of Service.

Glenn Ladd made a motion to adopt the amendments and recommend for Council approval. Dave Williams seconded the motion. All voted "yes".

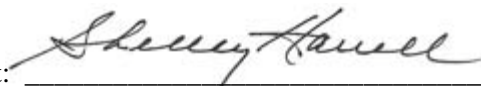
The Board discussed making available a Summary Plan description for new and current employee reference. It was suggested that the Summary Plan be placed on the City website.

With no further business, Glenn Ladd made a motion for adjournment. Dave Williams seconded the motion. All voted "yes".

Meeting adjourned at 10:30 a.m.



Mayor

Attest: 

Secretary