

**Minutes of Meeting
Board of Trustees
Non-Uniformed Employees' Retirement Fund
July 28, 2009**

A meeting of the Board of Trustees was called to order at 8:10 p.m. in EOC Room, Basement Level, City Hall, 6801 Delmar.

Members in attendance: Diane Sher, Anne Silverstein, Jaime Mendez, Mark Winer,
James Carr, Donald Humphrey, Erich Haring

Members absent:

Others in attendance: Yolanda Williams, Human Resources Director (Secretary)
Janet Watson, Deputy City Manager/Finance Director (Treasurer)
Byron Price, Council Member Liaison

Minutes

Member Carr moved to approve the Board minutes of April 21, 2009 and June 2, 2009. The motion was seconded by Member Mendez and carried.

Vouchers

The attached listing of vouchers was reviewed. Member Winer moved to authorize payment of these vouchers. The motion was seconded by Member Humphrey and carried.

Applications for Membership

Steven Green—Public Works

Applications for Retirement

An application for retirement from Sheila Clayton was reviewed. This application was tabled for approval at the next meeting pending verification of termination, retirement and commencement dates.

Member Humphrey moved to approve the following retirement payment on the basis of the actuarial calculations provided. The motion was seconded by Member Winer and carried.

An application for early retirement from John Jones was reviewed. The applicant worked for the City for 21 years and 9 months. His monthly early retirement benefit will be \$691.88.

Fiduciary Asset Management Report

CEO Wiley Angell and Portfolio Manager Tim Swanson of FAMCO were present to provide an overview/update on the portfolio. FAMCO continues to overweight corporate bonds but avoids BBB-rated issuers, the lowest quality portion of the investment grade category. Lower quality corporate bonds have been the best performers this year. FAMCO's corporate overweight offset the yield loss associated with their quality bias. Agency issued mortgage securities were reduced during the quarter as yield spreads do not adequately compensate for volatility risk. They're moving out of defensive stocks and into stocks with greater economic sensitivity (materials & energy) and stocks with lower valuations (media and transportation).

Member Sher mentioned the possibility of ETF (exchange-traded fund). FAMCO will keep it on the radar as the economy recovers and advise the board and make appropriate recommendations.

City Council Charge to Non-Uniformed Pension Board

The City Council met on 1/5/09 in a study session pertaining to the Non-Uniform Employees Pension Plan. The Council discussed at length the current Plan and the option of pursuing the establishment of a new Defined Contribution Plan for a portion of Non-Uniform employees. Those employees would include new hires and non-vested (10 years or less) employees.

After discussion, it was the consensus of the Council to request that the Pension Board research this proposal and bring their detailed recommendations back to the Council. Specifically, the Council is requesting the Pension Board:

- *Propose a Defined Contribution Plan design;*
- *Recommend which employees would be a part of the new plan;*
- *Determine the method of transition of any current employees in the plan; and,*
- *Determine the impact of this change on the current Defined Benefit Plan, with the assistance of the actuary.*

The Board was provided and reviewed a history of pension liability and contributions for plan years 1996-2008, as well as a performance history from FAMCO from inception 9/30/97 to present 6/30/09 (see attachments).

Mr. Price commented that the average contribution over the 13 year period (1998-2008) was about \$116,000, which included the changes in the market. Ms. Watson commented that enhancements to the plan actually increased the contribution. Mr. Haring commented that overfunding is not a bad thing and from at least 1997-2004 and even years before that, the city could have, but chose not to make a contribution because the plan was overfunded. Mr. Humphrey commented that employees like the plan as is—they like the security and it's considered a perk for being a civil servant because the benefits in public service help balance out lower salaries than those in corporate jobs.

Mr. Haring further commented that it changing the plan to a defined contribution plan would shift the risk to employees.

Ms. Watson further commented that if there is no recovery in the current plan, the City may not be able to sustain it.

Member Silverstein commented that it doesn't feel like the board can make a decision/recommendation.

Member Sher commented that the decision is long term based on short term bias. She suggested taking twelve more months to watch what's happening.

Member Carr suggested the board summarize the issues, define the factors, and provide the information. Ms. Watson will work with Mr. Carr to this end and present a draft report to the entire Board.

There is consensus among the Board members to study longer and they would be glad to assist and discuss with Council.

Other Matters

Board Education—Ms. Williams asked the board members the direction they wish to take for their annual training requirements. Member Sher suggested obtaining the MAPERS conference disc. All members concurred.

Board Members exchanged thoughts about how fund management responsibility is shared among City Council, the Pension Boards, and the manager, FAMCO. The Board agreed this could be discussed as part of a fiduciary review in the near future.

Next Meeting Date

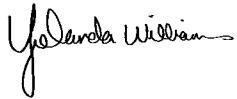
Board affirmed the next meeting date for 2009: October 27.

Adjournment

Member Carr moved to adjourn the meeting. The motion was seconded by Member Winer and carried.

There being no further business, the meeting adjourned at 8:55 p.m.

Respectfully submitted,



Yolanda Williams
Secretary