

March 10, 2010
Regular Meeting Pension Plan B

The regular meeting of the Board of Trustees, Pension Plan B, was held on the above date.

Present: President Rosenberg, Treasurer Morley, Trustees Garcia, Klein, Lee, Meszoros and Fire Chief Rooney

Absent: Vice President Herlihy, Trustees Buck and Gaskin

President Rosenberg called the meeting to order at 6:33 p.m.

A motion was made and seconded to dispense with the reading of the minutes of the previous meeting.

President Rosenberg asked Treasurer Morley what the quorum is for the Trustees. His response was five.

President Rosenberg requested that even though they have a quorum that Union President Whitbread stay for the meeting so there is representation from the Union. Union President Whitbread agreed to stay for the meeting.

Treasurer Report:

Entertain a motion to accept the Treasurer's Financial Report.

Trustee Garcia motioned to accept the Treasurer's January and February Financial Reports; Trustee Klein seconded and the Board passed it unanimously.

Old Business

1. Entertain a motion to grant a Non-Line of Duty Disability pension request to P/FM Bruce Collins, effective November 18, 2009.

Trustee Klein motioned to table the matter to the April meeting; Trustee Meszoros seconded and the Board passed it unanimously.

2. Entertain a motion to accept the Treasurer's Financial Report from February 2010.

Trustee Garcia motioned to accept the Treasurer's February Financial Report; Trustee Klein seconded and the Board passed it unanimously.

3. Segal and Company Actuarial Report for Fiscal Year ended June 30, 2009.

President Rosenberg informed the Board that Segal and Company were not coming this evening.

New Business

1. Trustee Klein motioned to remove Retired FF Walter McNeill, deceased February 22, 2010, from the Fire Fighter's Pension Plan; Trustee Lee seconded and the Board passed it unanimously.
2. Trustee Garcia motioned to grant a Widow's Pension request to Wanda Lee McNeill, Widow of Retired FF Walter McNeill, effective February 23, 2010; Trustee Lee seconded and the Board passed it unanimously.
3. David Reiser, JP Morgan/Smith Barney, Pension Review for year ending December 31, 2009.

David Reiser brought Detailed Research Reports on all of their managers if anyone wanted to take one to read.

David Reiser reported that it has been six months since they implemented their new program, the Unified Manage Account Program and he was very pleased to report that the new implementation of asset allocation and strategies and overlay has worked out better than they could have ever imagined.

Angelo and Chris were also at the meeting to answer any questions as they go through some things.

Reiser reported that the Pension Plan ended December 31, 2009 at \$56,544,374. The number was approximately 7% under the all time high of the portfolio. The portfolio gained \$10,564,215 – 23.51%. The UMA portion of that which only ran for six months of the year was up 19.36% and gained \$9,236.422.

The lowered fee structure annual savings on the most conservative number is presently over \$91,000.00 – realistically it is probably closer to about \$120,000.00 a year in actual savings since they implemented the UMA.

Reiser reviewed the page entitled Pensions & Investments Analysis which states the actual estimated return of pension plan programs across the world. Our program which was 2% more invested in fixed income than the average program, they were up 3.91% over the average pension fund.

Reiser next reviewed the Performance Summary. The account time weighted return was 32.11% and the account dollar weighted return was 23.51%.

Reiser represented that they have actually taken extra cash on the days the market was down and re-implemented in. Buying low when there is extra cash adds up to a lot of excess returns as the years go along. So time weighted returns helps to measure how well you have done versus the market as a time weighted for when you started and additions and withdrawals to the program. So that 32.11% is very significant when you compare the S&P 500 Index for the year did 26.46% for a fully invested equity portfolio.

Reiser represented that as they are in a full year in the UMA Program, these reports gets cleaner and easier to read. The next period report will be much easier to understand because it will be the full calendar under the UMA.

In the box that just looks at the UMA from 6/30 to 12/31/09, the equity portion returned 26.62%, S&P returned 22.58%.

Morley stated that he doesn't give a great deal of weight to the difference between time weighted return and dollar weighted return, he wants to know what he had in the beginning and what he has dollar wise at the end. He wants to stick with the dollar. David Reiser responded that that was the 23.51%.

David Reiser represented that the market actually took off April 13th which was the beginning of the market taking off from the bottom and if they looked at the performance of the account from the very, very bottom from that day to the end of the year they are up approximately 54% on a dollar basis.

Treasurer Morley stated that he was pleased in the aggregate with the performance.

Reiser reported that focus list is very important. They have to look at managers in many different ways. You don't want to invest purely on past performance. Their research team goes in and does due diligence on all managers and then continues to go in and then they can be put on the focus list which means that they feel based upon what they are doing and how they are implementing it for the next 3 years or longer that there is a higher probability that they will outperform for that period of time. The majority of our funds are on the focus list.

Treasurer Morley stated that he will have some questions on Congress and mid cap growth.

Reiser reported on asset allocation review. Reviewed graph which shows the performance of most asset classes that are available, emerging markets, treasuries, governments, growth funds, value funds, international funds, medium size small cap, government bonds, corporate bonds, S&P 500, etc. If you look over a period of time, you'll notice that different asset classes perform better during different years. They want to have some assets in each of these classes. The Committee looks at the classes and makes recommended changes.

Treasurer Morley asked how often that process takes place. Chris responded that the max is 4 times a year. David Reiser responded that it only took place once in the last 6 months.

Reference was made to page 9 of the Report, the one year return and page 10, the actual calendar year returns of the managers.

Reiser reported that Hansberger was up 69.50% for the year and made a significant impact in terms of performance of the account. That made a very big positive impact. As to the small cap managers which they added, Pen was up 60.02%. This is another significant reason for outperformance for the year.

Reiser has a recommendation regarding Congress. They took the more conservative approach. Congress is still on their Focus List in terms of out performance. They have another manager called Frontier in that mid cap growth area. 5% of the portfolio is what they are talking about in terms of what is allocated to this area. It is not that Frontier is that much more aggressive, it approaches it in a little bit more aggressive manner.

Reiser's recommendation is splitting the 5% allocation to 2 ½ and 2 1/2, 1.4 million for one and 1.4 million for the other. Add Frontier to the portfolio along with Congress and it positively is not a crazy risk, it increases it a little bit, but he thinks the returns of getting maybe a couple of points more a year on that sector, it adds up in time. So, it's a minor modification that he recommends.

Angelo represented that they still view Congress very favorably, but they are concerned with their underperformance, and they are sending an analyst to visit with senior management within a course of two weeks so they could get a better feel for their performance or lack thereof. Over the last 2 years there has been some tremendous market volatility. Congress is one of the managers that decided to stay more conservative in the market; they didn't partake in the upside.

Treasurer Morley asked why Congress should even stay in the portfolio.

Reiser responded that his recommendation was either to split it or go to Frontier. They try and balance and not to get too aggressive, mid cap growth is a very aggressive area, but he is leaving it up to the Trustees as far as increase risk of volatility.

Angelo restated that they are going out to Congress in 2 weeks to have an onsite meeting with them. They still run by the same process that they ran in that put them on the focus list. Their underperformance is more attributed to some questionable calls.

Treasurer Morley stated his problem is those missed calls and them staying with the philosophy that they are using, those missed calls have taken place for 5 years and it's on the focus list.

Treasurer Morley stated that we're comparing them to the market. He was comparing them to their peers. For the 5 years, Congress is consistently finishing at the bottom of the tank as opposed to how they did versus the index. Their peers are outperforming them consistently.

Reiser represented that he doesn't disagree with Treasurer Morley and wanted to leave it up to the Trustees and if its okay with the Trustees to increase the risk in terms of volatility level, they would recommend it.

Treasurer Morley recommended that he wanted Congress on a watch list and a quarterly report on them. He'll go with what Reiser wants but he doesn't want to spend a great deal of time for these predictions to come true.

Reiser made a recommendation to that. At first Reiser's recommendation was to go 50/50 immediately, the second recommendation was, they have their due diligence team going right in this Friday. He will have a report back within 2 to 3 weeks from this Friday meeting and he will have that report to Treasurer Morley and if it does not say anything that is positive on why they should stay in there and if there is anything negative that they could have issues, they will address that and make that recommendation, if they should move the other 2 1/2% over to Frontier fully at that time.

President Rosenberg agreed with Treasurer Morley that Congress has been done for too long and favors going over to Frontier.

Treasurer Morley wants the report and then they'll know if they want it out.

Reiser supports the recommendation of going fully to Frontier if that is what the Trustees want.

Treasurer Morley represented that they are not happy with Congress and they don't want it.

Reiser made the recommendation that they move Congress to Frontier if that is okay with the Trustees.

Treasurer Morley asked if there is another player within the universe to replace Congress as opposed to 100% of the 5% being with Frontier. Can they spread the risk between two.

Angelo responded that they would need to do a little more research.

Treasurer Morley responded that if they can't find anything within one week or so, go with Frontier.

Reiser commenced discussion on the bond side of the portfolio. They looked at Madison and other areas. Madison is a quality boutique firm. They are in good shape with Madison, recommends to stay with Madison. Morley agreed.

Treasurer Morley is pleased with the performance, but he wasn't pleased with Congress.

Treasurer Morley is unhappy that they are being forced to keep an excessively high cash balance in the cash account that is earning absolutely nothing for income. He considers it lost investment income.

Reiser said he brought up that concern to the Board level and he is now on the consulting group advisory board for the firm so this was one of the concerns that he brought up to the Board level as they are merging computer systems together to basically give people the option of doing that. He could recommend that they decrease the amount of cash they have. He recommends for now that they take that and implement it. As the new systems become implemented, they will have a further discussion in terms of what percentage of excess cash.

Treasurer Morley responded he doesn't need more than \$150,000.00 in cash available to him on a liquid basis. This is nothing but lost investment income. He wants this money put to work.

Reiser responded that at this point and time he would like to have permission to address this every time with the Board because there are times that he will feel that he is not comfortable with the general state of the world on a short term basis, and therefore, that 2% is extra cash that they have to invest when the markets go down, and right now he feels that the market is going to have an up period.

Reiser represented that he wants to move the money that is in the cash account tomorrow and that will decrease the cash on hand by \$750,000.00. Treasurer Morley stated that he wanted \$150,000.00 available in liquid at all times.

Treasurer Morley represented that he was pleased with the performance, he wasn't pleased with Congress, he's upset with the cash balance, but overall he was pleased with the performance that has taken place.

Reiser represented that Congress will be fixed tomorrow, 50% of your issue will be fixed tomorrow. On the cash, the remaining cash issue, he has another Board meeting conference call and he will bring it up again and find out where they are on a system's level and Chris will also bring it up as well.

President Rosenberg asked where they thought the market will be at the end of the year.

Reiser commented that he thought they were heading for 1,300 in the S& P. He thinks there will be some nice up side move over the next few months. It will still be a volatile year; there will be some ups and downs. He also said that certain overseas areas are going to do very well. He thinks over the next several years the emerging market section of our portfolio is going to do phenomenal for us. It is paying a nice dividend as well. We have very good managers. We need to see what is going to happen by the end of the year because we still have a job issue in this Country. We are seeing job stabilization, but unless we see jobs growth which is what we need to see, he doesn't think we will see those job growth numbers until the 4th quarter of this year, and the question is how much is that going to be. It depends upon a lot of things that Congress is working on right now.

President Rosenberg and Treasurer Morley thanked David Reiser for coming and giving his report.

Treasurer Morley distributed copies of the Actuarial Report and stated that he had some concerns and questions. He doesn't know what changes are being made. He doesn't know whether or not these changes that are being adopted are actuarially sound as they impact the pension plan. The effect of these changes is that they are lowering the City's contribution. He wasn't saying there is a problem, but he was saying that he does not have the knowledge to be able to make a determination as to the actuarial soundness of these new assumptions and changing in the funding methodology that is taking place.

President Rosenberg recommended that they get an expert opinion.

Treasurer Morley recommended to the Board to get an expert to comment on the actuarial soundness of these changes that are being put into place by the City. He has someone lined up if he receives authorization to go forward with this from the Board and he has some people on the side who are willing to look at the Report free of charge and he also has someone from Washington, D.C. that would charge a fee anywhere between \$3,000.00 and \$4,000.00. They come highly recommended. They do multiple pensions throughout the entire country.

Treasurer Morley further reported that he doesn't know what Segal's responsibility is to the reader of the actuarial report. Segal has been the actuarial for the City since 1994.

Treasurer Morley requested the Board to authorize him to use the free consultants that have offered to take a look at this report and he wants to use them first, but if he is not pleased with that, he wants to be able to go to the one from Washington, D.C. and have him do a critique.

President Rosenberg represented that he strongly urged the Board to vote to protect the pensioners which they have a fiduciary obligation to do and to protect themselves.

Trustee Lee motioned to allow Treasurer Morley to do what he suggested; Trustee Meszoros seconded and the Board passed it unanimously.

4. There being nothing further to come before the Board, Trustee Meszoros motioned to adjourn, Trustee Garcia seconded and the meeting was adjourned at 8:00 p.m.