

TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES

Meeting Minutes from Friday, November 16, 2006, 8:30 a.m.

Members Present: Brian Bjorndahl, Chairman
John Moore, City Manager's Appointee
Suzanne Machain, Designee
for Cindy Bezaury, Human Resources Director
Joe Ladenburg, Designee for Scott Douthitt, Finance Director
Marie Nemerguth, Employee Representative
John O'Hare, Employee Representative
Paul Miner, Retiree Representative

Staff Present: Frank Kern, Board Counsel
Silvia Amparano, Deputy Finance Director
Robert Leko, Finance Administrator
Joel Peterson, Risk Manager
Allan Bentkowski, Investment Manager
Michael Hermanson, Retirement Manager
Doris Rentschler, Finance Analyst
Claire Beaubien, Administrative Assistant

Guests Present: Jean Wilkins, CTRA Representative
Enid Cranshaw, Fund Accountant
John Behrens, Finance Analyst

A. Call to order

Chairman Brian Bjorndahl called the meeting to order at 8:30 a.m.

B. Consent Agenda

1. Approval of October 27th, 2006 Board meeting minutes
2. End of Service Summary Report (as of Nov. 8, 2006)
3. Service & disability retirement facts and figures report - November 2006

Paul Miner **motioned, seconded** by John O'Hare, to approve the consent agenda as presented. **Motion passed 7-0.**

C. Investment Activity / Status Report - Portfolio composition, transactions and individual investments

1. Portfolio composition, transactions and individual investments
2. Q3 PRIME Report from Hewitt Consulting

1. Allan Bentkowski reported that the portfolio value changed to \$640 million as of October 31, 2006. As of November 15, 2006, the portfolio was valued at \$648 million. He reported that the markets are currently doing well.

For the calendar year-to-date report, all managers except two had positive returns. The manager with less than positive returns was TCW Concentrated Core. Julius Baer continues to do well with a return of 23.13% against their benchmark of 18.99%.

Allan provided highlights from Hewitt's quarterly Performance Review and Investment Manager Evaluation (PRIME) report. TCW Core failed to meet the 1 year and 3 year quantitative watch list factors this quarter and if these criteria are failed during the next quarter, they will officially be "on the watch list". Hewitt still

believes TCW Core is a great manager, but will be watched closely to see if the company can effect a turnaround.

- D. Applications for Medical Retirement*
 - 1. Richard Rivera

Mr. Rivera was not present at the meeting. Doris Rentschler presented a brief overview of Mr. Rivera’s case. She reported that Dr. Krasner’s opinion is that Mr. Rivera was not able to perform the functions of his position. He recommended a disability retirement. Paul Miner **motioned, seconded** by John Moore, to approve the disability retirement. **Motion passed 7-0.**

- E. Discussion of 401(a) plan rollout

Mike Hermanson discussed some of legal/compliance issues relating the new 401(a) program being rolled out for City employees. As of 11/15/06, there were about 6 people signed up for the program. The retirement staff has fielded numerous inquiries about this program since the Nov. 2 announcement was made. According to ICMA-RC’s attorneys, participants can choose to defer either on a bi-weekly basis only, or only with their termination pay or they can use both. A prominent of feature of the program allows participants to roll their “termination pay” (usually sick and vacation leave pay-outs) into the new plan, providing additional capacity of up to \$45,000 to the annual limit for retirement savings. Frank Kern remarked that the “irrevocable” part of the plan is not easily understood by most of the participants. Staff agreed that counseling is required for all employees considering this program.

- F. Study group update on post retirement benefit increase policy

Joe Ladenburg reported that the study group would reconvene on the 30th of November to discuss the post-retirement issues.

- G. Future Agenda Items
 - 1. Infrastructure Investment – information follow-up
 - 2. Hedge Funds – information follow-up

Hewitt advised Allan that there are several opportunities for educational purposes relative to infrastructure investing and hedge fund investing. Fund-of funds managers could be invited to a board meeting for an educational presentation. Chairman Bjorndahl suggested that more information should be gathered regarding the various investing types and then schedule a manager for a future meeting with Hedge Funds being handled as the first topic. The Board concurred.

- H. Call to Audience – none heard.

- I. Adjournment

Chairman Bjorndahl called for a **motion** to adjourn. Marie Nemerguth so **moved, seconded** by John Moore. **Motion passed 7-0.** Meeting adjourned 9:10 a.m.

Approved:

Brian Bjorndahl, Chairman

Date

Mike Hermanson, Ret. Mgr. Date