PERSONNEL AND AUDIT COMMITTEE
AUGUST 23, 2011
3:15 P.M.

Councilwoman Scott, Chairman, called the meeting of the Personnel and Audit Committee to order with Councilpersons Ladd, Benson, Rico, Robinson, Berz, Murphy and Gilbert present. City Attorney Michael McMahan; Management Analyst Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Dan Johnson, Danny Thornton, Larry Zehnder, Lee Norris, Gary Hilbert, Richard Beeland, Steve Leach, Mike Patrick, Paul Page, Bill Payne, Brian Kiesch, Greg Haynes, John Bridger, Bryan Shults, Ron Swafford, Jerry Stewart, Johnny Feagans, Frank Hamilton, Dickie Hutsell, Karen Rennich, John Van Winkle, Daisy Madison, and Jim Templeton.

On motion of Councilman Murphy, seconded by Councilman Rico, the minutes of the previous meeting were approved as published.

Chairman Scott stated that we had one item—a Report on the Update on Fund Assets and Performance for the Fire and Police Pension Fund.

Mr. Ray Ryan was present and presented the Council with a one page update, which is made a part of this minute material. He explained that he used estimate values as of August 12th and since August 12, funding balances have dropped a bit; however, he stated, he felt good about the funds invested, but if the market does not improve, we will not meet expectations.

Councilwoman Robinson asked if he could give any forecast that we could rely on? Mr. Ryan noted that the market had been shaken by bad news this year; however funding feels stronger than a year ago; that we hope for a second half rebound but are concerned with developments in Europe and the posture of the Federal Reserve; that there will be uncertainty throughout the fall moths. He added that the European Central Banks would meet this fall and in general, he was optimistic for resolution, however uncertainty remains high. He stated that he thought we would get through this, but it would be volatile the next few months. Councilwoman Robinson asked if he had any advice for the Fire and Police Pension Fund? He responded that he had met with a consultant and feels confident about changes in the spring; that we had some under-performing managers, and some changes might be made there; however, we plan to sit tight.

Councilman Murphy asked about erosion of paper value and asked where we were on the value of payments? Mr. Ryan expressed that the metrics have not changed since April. Councilman Murphy asked about “net to positive” and “net to minus”? Mr. Ryan responded that about this time last year, the Stock Market was in the same place, mentioning a 12% return in the fourth quarter, stating that there would be a better second half than the first. Councilman Murphy asked if we might need to change the metrics? Mr. Ryan indicated it would be upward.

Councilman Benson wanted to know about the percentage of diversification? Mr. Ryan noted that he joined the fund in 2008, at which time there was 70% common stock, which has been reduced to 30%; that we have expanded into real estate—that diversification is greatly expanded. Councilman Benson asked about "munnies" (think this is Municipal Bonds). Mr. Ryan responded that these were not appropriate for Pension Funds.

Councilwoman Scott wanted to know the amount of the city contributions? Mr. Ryan did not know. Mr. Hamilton thought it was 24.7%. She wanted to know what this meant in money? Mr. Hamilton did not know. Mr. Ryan thought it was probably in the ballpark of $8 million dollars.

The meeting adjourned at 3:30 P.M.