

Local Retirement Fund Investment Study Group

Office of the State Auditor
Thursday, September 9, 2010
2 p.m. to 4 p.m.

Members Present

Howard Bicker, Minnesota State Board of Investment Executive Director
Edward Burek, Legislative Commission on Pensions and Retirement Deputy Director
Bruce Duncan, Excelsior Fire Relief Association President
Dave Ganfield, Apple Valley Fire Relief Association Administrator
Dave Matlon, Bloomington Fire Relief Association Treasurer
Rebecca Otto, State Auditor
Teri Richardson, Minnesota State Board of Investment Assistant Executive Director
J. Michael Stoffel, Duluth Teachers' Retirement Fund Association Executive Director
Gene Waschbusch, St. Paul Teachers' Retirement Fund Association Secretary-Treasurer
Nyle Zikmund, Spring Lake Park, Blaine & Mounds View Fire Department Chief

Members Excused

Others Present

Colleen Bollom, Minnesota Firefighter Pension Consultants Representative
Aaron Casper, National Insurance Services Representative
Aaron Dahl, Pension Analyst
Celeste Grant, Deputy State Auditor/General Counsel
Rose Hennessy Allen, Pension Director
Lucas Hinz, Pension Analyst
David Kenney, Assistant Legal Counsel
Luke Kuhl, House Research Consultant
Brian McKnight, Wells Fargo Advisors Representative
Mike Miller, Integra Shield Financial Group Representative
Walter Pickup, Focus Financial Representative
John Schutz, Wells Fargo Representative
Merle Waters, Wells Fargo Representative

The following motions were duly made, seconded and approved:

RESOLVED to approve the August 31, 2010, Investment Study Group meeting minutes;
RESOLVED to revise the expanded list to mirror the SBI's investment list, as amended, and to incorporate technical changes for the expanded, limited, and SBI investment lists.

I. Call to Order

Chair Auditor Otto called the meeting to order.

II. Review and Approval of Study Group Minutes

The Study Group members reviewed the August 31, 2010, meeting minutes that were provided in advance. Ganfield made a motion to approve the minutes. Duncan seconded the motion that was adopted unanimously.

III. Review of Side-by-Side Investment Authority Comparisons

Burek provided a walk-through of the investment authority comparisons. He highlighted differences between the expanded and limited lists of authorized investment securities and the authorization list for the State Board of Investment (SBI). The Study Group agreed to revise the expanded list to mirror the list used by the SBI. The Study Group also agreed to make modifications to the expanded and limited lists and to the SBI's investment list. The changes that the Study Group agreed on include:

- Authorizing securities owned as shares in mutual funds and exchange-traded funds in the "Securities Generally" section so that the focus of the lists is to place requirements and limitations on specific asset classes, rather than on the investment vehicles;
- Revising the government and corporate obligation sections of the limited list to match the language used in the expanded list and by the SBI;
- Expanding the limited list to authorize guaranteed investment contracts and to use the language for savings accounts that is used in the expanded list and by the SBI;
- Deleting and modifying some outdated language in the "Government Obligations" and "Other Investments" sections.

Ganfield made a motion to revise the expanded list to mirror the SBI's list, as amended. Richardson seconded the motion that was adopted unanimously. The Study Group agreed to the concept of the proposed changes and agreed that additional discussion is needed for a few topics. Draft language will be provided to the members before the next meeting for their review. Topics that need additional discussion include limits on below-investment-grade bond investments for the expanded list and whether certain international securities should be included in the 35 percent limit on "Other Investments" for the expanded list.

IV. Discussion of Separate Investment List for Small Pension Plans

The Study Group agreed to revisit this topic after reviewing draft language for the revised expanded and limited lists.

V. Discussion of Technical Changes

Many of the technical changes identified by the Study Group members were resolved by the revisions adopted for the expanded, limited, and SBI lists. The Study Group will

revisit any technical changes that are still needed after reviewing draft language for the revised lists.

VI. Discussion of Mutual Fund Changes

Some of the mutual fund issues previously identified by the Study Group were resolved by the revisions adopted for the expanded and limited lists. A remaining issue is the confusing relationship between Minn. Stat. § 69.775 and the expanded and limited lists. Kenney explained that the language in 69.775 is only needed for the limited list plans. This issue will be revisited after the changes to the expanded list are completed.

VII. Other Business

Auditor Otto asked the Study Group members to consider any additional substantive changes that they would like to discuss and bring them to the next meeting.

VIII. Next Meeting

The Study Group discussed a few potential meeting dates and decided to wait until early November to reconvene. Meeting dates will be shared with the Study Group members via e-mail, and be posted on the Office of the State Auditor's website.

IX. Adjournment

The meeting was adjourned shortly after 3:30.