

CITY OF LADUE
MINUTES OF THE COMBINED MEETING
OF THE FIREMEN'S AND POLICEMEN'S
PENSION PLAN AND RETIREMENT
PLAN COMMITTEES
June 20, 2013 at 8:30 A.M.

A combined meeting of the Ladue Uniformed Pension and the Non-Uniform Pension Plan committees of the City of Ladue was convened at the Ladue Police Department's second floor conference room at 8:30 a.m. on June 20, 2013. The following members were present:

Firemen's and Policemen's Pension
Fund Board of Trustees

Mayor Nancy Spewak
Mr. Joseph Rechter, Chairman
Fire Chief John Bailot
Fire Capt. Keith Terry
Sgt. Gregory Stork

Retirement Committee Non-Uniformed
Employees Retirement Fund

Mayor Nancy Spewak
Mr. Wesley Jones, Chairman
Mr. Joseph Rechter
Ms. Shelly Benson
Mr. Ivan White (arr. 8:35)

Absent: Mr. Bill Francis and Chief Rich Wooten

Also present: Michael Wooldridge, Assistant to the Mayor / City Clerk; Rick Jett, Finance Director; Commerce Trust representatives: David Hagee, Portfolio Manager, Barbara Turley, Director of Research, Landers Carnal, Chief Investment Officer, and Steve Bredbenner.

Mr. Jones moved to approve and adopt the agenda. The motion was seconded by Capt. Terry, and the motion was unanimously approved.

Mr. Hagee reviewed the current asset allocation stating that 90% of the returns were from strategic allocations. He noted that returns with the current allocation of 60% equity / 40% fixed income have been declining in recent periods.

Ms. Turley discussed how to improve the strategic asset allocation to increase return and lower risk. She reviewed the fundamentals of mean-variance optimization used to create an efficient portfolio.

Mr. Hagee presented the current Ladue asset allocation compared to three peer portfolios: City of Kirkwood Police Officers' and Firefighters' Pension, Missouri County Employees' Retirement Fund, and Missouri Local Government Employees Retirement System. Four proposed asset allocations were studied including increasing equity, increasing alternatives, decreasing equity and increasing equity and alternatives. The risk and return comparison indicated that after 20 years the projected portfolio value would be the greatest if equities and alternatives were increased .

Mr. Jones noted the pension plans were long-term commitments. Ms. Turley stated the comparisons studied were looking at a range of returns and applying qualitative judgments to the results. Mr. Hagee noted the probability of meeting return assumptions were greater with increased equities. Alternative investments would be used to derisk the portfolio.

Ms. Turley added that equities represent a disproportionate share of risk

Summarizing the discussion Mr. Hagee stated the following were Commerce Trust's recommendations for asset allocation:

| | <u>Target</u> | <u>Maximum</u> | <u>Minimum</u> |
|--------------|---------------|----------------|----------------|
| Equities | 62% | 73% | 45% |
| Fixed-Income | 28% | 55% | 20% |
| Alternatives | 10% | 14% | 0% |

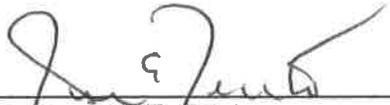
Target Indexes should include Small Cap – Russell 2000 and Mid-cap stocks – Russell Mid Cap.

Mr. Hagee suggested that, if adopted, a strategic review be conducted every 3 – 5 years. Implementation of the changes will occur over one quarter.

Mr. Jones asked what benchmark would be used. Ms. Turley advised that it would be a mix of indexes.

Ms. Benson moved to approve the recommendation of Commerce trust regarding the asset allocation and granting the pension fund chairmen the authority to change the allocation weighting. The motion was seconded by Capt. Terry, and the motion was unanimously approved.

Mr. Jones moved to adjourn the meeting. Chief Bailot seconded the motion, and the motion was unanimously approved. The meeting adjourned at 10:20 AM.



Mr. Joseph E. Rechter
Chairman
Firemen's and Policemen's Pension
Fund Board of Trustees



Mr. Wes Jones
Chairman
Retirement Committee Non-Uniformed
Employees Retirement Fund