

**CITY OF BELLEVUE
MUNICIPAL EMPLOYEES' BENEFIT TRUST
Conference Call Summary**

**Monday, January 28, 2008
12:30 p.m.**

CALLERS PRESENT: Al Compaan, City of Edmonds
Dan Hofman, Newport
Jillian Hostenske, Human Resources Department
Terri Jacobsen, CitiStreet
Julie Klaussen, Great-West
John Randall, Principal
Rich Protasewich, State Street Bank
David Rowe, Prudential Retirement
Trent Sanden, PRIME Asset Consulting Group
Kassia Vote, UBS Financial Services, Inc.
Linda, Diversified Investment Advisors
Rob, AST Capital Trust
Steve, Charles Schwab
Others who did not identify themselves

MINUTES TAKER: Michelle Cash, Lakemont Business Services, Inc.

Mr. Sanden notified callers that the conference call was being recorded.

Mr. Sanden described the purpose of MEBT, which is a pension plan for seven Puget Sound area cities. He reminded callers that approximately two years ago a Request For Information (RFI) was submitted. From the RFI process, it became apparent that the MEBT is such a unique plan that there were many provisions that could not be accommodated by potential bidders. Therefore, the RFI process was terminated. The information from this process was evaluated to determine the best course of action. Changes have been implemented and some recommendations are being considered. Mr. Sanden reiterated that the main challenge of the MEBT is that it is seven different plans/cities.

The flowchart of the MEBT Plan was reviewed by Mr. Sanden. Mr. Compaan added that the Unions are also involved with the MEBT process, in particular material changes to plan provisions.

Mr. Sanden noted that the City of Edmonds and the City of Woodinville have life insurance included within their plans. Discussions are underway on whether or not the insurance policies can be unlinked from the plan.

Steve from Charles Schwab inquired if there are individual policies for each employee or if there is one group life insurance policy. In regards to Edmonds, Mr. Compaan clarified that MEBT is the policy owner. There is one group policy and the premium amount is the same for each participant regardless of age. He added that the participant self-pays the premium amount. The premium is paid with taxed dollars out of the employee's contribution to the MEBT. The net amount is then remitted to the trustee for deposit into the MEBT. Mr. Compaan added that the city writes the check directly to the insurance carrier.

Ms. Hostenske noted that one of the tricky provisions is that matching funds are calculated on the dollars that are used to pay premiums as well as the net contribution to MEBT.

Mr. Sanden solicited questions from the MEBT Pre-Submittal Conference Questions & Answers document as of January 25, 2008.

Mr. Rowe, Prudential Retirement, requested clarification regarding the types of changes still not made that were derived from the 2005 RFI process. The following potential future changes were discussed:

- Insurance – consider a different method at Edmonds and Woodinville
- Fees – make fees consistent within and among plans
- Vesting – currently based on hours worked per month, looking at 1000 hours per year
- Social Security – temporary workers may be better served in Social Security
- Contributions – allocate employer contributions using the same formula

Ms. Klaussen, Great-West, requested further clarification regarding Full Fund Accounting. Mr. Sanden explained the process for obtaining daily pricing for individual securities, prior to striking the NAV. Due to several variables, pricing issues and errors have occurred. Full Fund Accounting will further automate the pricing process to help identify pricing discrepancies.

Linda from Diversified Investment Advisors inquired if there are any changes that will occur to the master custodian and trust relationship. Mr. Sanden clarified that the MEBT always welcomes recommendations to improve the process. In addition, the MEBT wants to ensure that the fees being charged to the trust are reasonable. It is not necessary for one firm to provide all of the services identified.

Mr. Rowe recalled previous conversations regarding participant investment direction and questioned whether this should still be considered. Mr. Compaan clarified that all cities offer a 457 compensation plan that is self-directed. Since MEBT is set-up as a Social Security replacement plan, the MEBT Trust Committee and the MEBT Investment Advisory Committee have felt a fiduciary responsibility to manage the money with a balanced approach. Therefore, it was decided to stay with a committee-directed portfolio. Ms. Hostenske added that there have been some brief discussions regarding offering various choice packages with employee dollars however no actions have been taken.

Rather than opening up the program to a full participant directed investment menu, Mr. Rowe suggested that the committee consider a variation of balanced options, which would allow

employees to be risk-adjusted based upon their age. Mr. Sanden clarified that the committee has discussed this type of approach however no adjustments are being considered at this time.

Steve from Charles Schwab inquired if there are any restrictions to the investment managers that hold international securities (more importantly pricing). Mr. Sanden clarified that there is currently a restriction because of the pricing issues that come with buying ordinary shares. The MEBT is more comfortable with the ADRs priced in US dollars. In addition, it would be more costly to hold a portfolio that allows ordinary shares. He added that the William Blair portfolio is the actively managed ADR portfolio.

Mr. Protasewich, State Street Bank, inquired if the MEBT has considered securities lending. Mr. Sanden clarified that the MEBT currently participates in securities lending through State Street Global (the Flagship 500 Fund). Beyond this, the MEBT has not looked into securities lending. Although the plan is not technically governed by ERISA, Mr. Sanden noted that the MEBT and legal council look to ERISA for guidance for many aspects of the plan. Any recommendations will be considered and reviewed by legal counsel.

Mr. Sanden clarified that the fees currently charged by the incumbent for services provided are currently being analyzed.

Ms. Klaussen, Great-West, requested clarification in the RFP regarding revenue sharing in Section 5, page 17, 8-9. Mr. Sanden confirmed that the MEBT is looking for full-disclosure and full-transparency of all the revenue generated by the plan.

Ms. Klaussen inquired what the expectations are for local services. Ms. Hostenske clarified that it would be up to each plan and each city to determine how frequently they feel the need for meetings, conference calls, etc. Some cities have held benefits fairs, which could be part of the package. Ms. Hostenske highlighted that the recordkeeper plays an important role during the audit process.

Terri Jacobsen, CitiStreet, questioned if the interaction with participants happens more with the recordkeeper or Human Resource Department. In Bellevue, Ms. Hostenske clarified that Human Resources has provided the employer/employee information. However, when the daily platform was instituted, the recordkeeper set up a website and a customer line.

Mr. Sanden reiterated some of the major changes that have taken place since the last RFI including the move to daily valuation on a daily platform. Ms. Hostenske added that in order for some of the cities to make plan changes City Council and Union approval needs to be obtained.

Mr. Sanden encouraged conference call participants to be sure their firms have the capability to be able to handle regular benefited employees, partially benefited employees, etc. In addition, Ms. Hostenske explained some of the challenges with Form 1099R tax statements due to the current structure.

Mr. Sanden noted that there was a question raised that asked about samples of current plan information. He wondered if the questioner needs copies of all of the summary plan descriptions

and inquired if SPDs are critical for the evaluation process. Ms. Jacobsen commented that the information is not critical but it would be helpful. Ms. Hostenske will post the information on the website www.meht.org.