

RETIREMENT COMMITTEE MINUTES

MEETING OF NOVEMBER 17, 2010

Chairman Warren called the meeting to order at 1:07 p.m. in the Council Chambers.

ROLL CALL

Chairman Edwin Warren: present
Don Campbell: present
Gary Langston: present
Jeanette Hurt: absent

OTHERS PRESENT

Abdel Salem, City Manager, Trustee
Sylvia B. Bermudez, Assistant Finance Director
Phyllis A. Kraft, City Clerk, Trustee
Javier E. Villarreal, Recording Secretary
Barthus J. Prien and Tiao-Tiao Hsu of
Priem Associates, Inc.

Chairman Ed Warren opened the meeting at 1:07 p.m. with the first item on agenda to review Minutes of September 14, 2010 regular meeting. He stated some corrections had been related to Mr. Villarreal.

Mr. Ed Warren asked if the recommendation to change the interest assumption from 7.75% to 7.50% had been sent to the City Council. Ms. Phyllis A. Kraft confirmed that the Minutes had been included on the Council Meeting of November 15, 2010; the Minutes were approved and no action was taken.

Following a brief discussion, a motion was made by Mr. Don Campbell and seconded by Mr. Gary Langston to approve the Minutes of September 14, 2010 regular meeting with corrections as noted. *Motion passed unanimously.*

Next Mr. Ed Warren referred to Mr. Prien for a review of the June 30, 2010 Actuarial Valuation Report.

[Mr. Abdel Salem joined the meeting at 1:23 p.m.]

Mr. Prien began with an overview of Table 6 of the actuarial report which provides a total cost percentage of 23.848% times \$8,552,939 covered compensation or \$2,039,716 as the estimated contribution requirement for the current fiscal year beginning on July 1, 2010. He observed the cost percentage of 23.848% was slightly higher than 23.612% given in Table 6B of the prior actuarial valuation as of June 30, 2009.

On page 20 of the actuarial valuation report, he observed that the net investment return in the year ended June 30, 2009 reflected a very significant downturn of -20.8% as compared to the statistics of the prior year. The investment return is shown and compare with other pension trusts for each of the recent 10 fiscal years.

He further observed that a change in the assumed long term future investment return from 7.75% per year to 7.50% could raise the cost percentage from 23.848% to 25.401%, shown in Table 7, which is 1.553% of covered compensation or \$132,788 for the fiscal year ending June 30, 2011.

Other factors were also reviewed regarding the experienced gains and losses. The funding ratio of actuarial assets to total liabilities is 63.8% as reported on page 36. This increase from 61.3% in the prior fiscal year reflects a net investment return of 8.19% in the fiscal year ended June 30, 2010.

A table is given in the report showing examples of estimated income replacement ratios ranging from 94% to 110% including Social Security benefits.

Following discussions, a motion was made by Mr. Gary Langston and seconded by Mr. Don Campbell to accept the June 30, 2010 Actuarial Valuation Report for recommendation to the City Council. *Motion passed unanimously.*

Chairman Ed Warren opened the subject to review financial transactions of the pension trust fund for the quarter from July 1, 2010 to September 30, 2010.

Mr. Prien reviewed the quarterly financial transactions of a report issued October 29, 2010 for the time period from July 1, 2010 to September 30, 2010. The annualized net investment return is shown in Table 4 for each segment of the investments equal to 29.69%, a dramatic rise in the general stock market. A summary was presented to provide a comparison of experience with the current investment policy. Approximately 63% of the trust assets were in common stocks whereas the investment policy is 70% in equities. For cash equivalents is little above 12% whereas the investment policy is 5%.

Ms. Hsu said that Mr. Bob Abraham asked her to ask the Committee if they would like to invest part of the cash he has in the liquid account into Wedgewood Large Cap Growth.

Mr. Prien also mentioned that funds at Great West Life will be available to re-direct to other investments.

After a brief discussion on how to bring down the cash and invest in other kind of investments, Mr. Salem suggested that we should have a special meeting for investment advisors to present their reports and also they can give us their advice and their expectations based on their experience on the market.

The Committee members agreed to have a meeting on Monday, December 6, 2010 at noon for this purpose.

Finally, Mr. Villarreal reported that the Committee member Jeanette Hurt told him she is unable to attend the meetings.

Mr. Don Campbell suggested that a representative from CCF had previously expressed interest. With a follow up there may be a new candidate for the Committee position.

ADJOURNMENT

There being no further business, by motion passed at 2:41 p.m. to adjourn the meeting to December 6, 2010 at noon.

Javier E. Villarreal,
Recording Secretary