

RETIREMENT COMMITTEE MINUTES

SPECIAL MEETING OF MAY 18, 2011

Chairman Warren called the meeting to order at 2:13 p.m. in the Council Chambers.

ROLL CALL

Chairman Edwin Warren: present
Don Campbell: present
Gary Langston: absent
Antonio Rangel: absent
Lidia Albiar: present

OTHERS PRESENT

Lettie DeDios, Finance Director, Trustee
Phyllis A. Kraft, City Clerk, Trustee
Richard Kirkwood, Human Resources Director
Alan Peake, City of Delano Attorney
Javier E. Villarreal, Recording Secretary
Barthus J. Prien and Tiao-Tiao Hsu of Prien Associates, Inc.

Chairman Ed Warren opened the meeting at 2:13 p.m. with an introduction of the new Committee Member Ms. Lidia Albiar.

The first item on agenda is to review Minutes of November 17, 2010 regular meeting, Minutes of January 18, 2011 special meeting, Minutes of March 16, 2011 special meeting and Minutes of March 21, 2011 special meeting. Attorney Peake advised that since the new Committee Member Ms. Lidia Albiar was not in attendance at any of those meetings, she is abstained from voting. Therefore due to lack of quorum, there is no action taken at this time. A motion was made by Mr. Don Campbell and seconded by Ms. Lidia Albiar to accept the recommendation. *Motion passed unanimously.*

Mr. Warren stated there is a typo on the Agenda that the financial transactions for the period should read from July 1, 2010 through December 31, 2010. Since these transactions were not reviewed in January, they are included in the 9-month period from July 1, 2010 to March 31, 2011. He then referred to Mr. Prien for his presentation.

Mr. Prien referred to Table 1 showing \$1,250,000 contributions into Chase Bank account, including a \$100,000 transfer from Farmers and Merchants Bank account for payment of approximately \$1,253,000 in benefit distributions. He observed that the reported bi-weekly contributions to Chase Bank account decreased from approximately \$75,000 to \$65,000 after December 31, 2010. It was reported that a payroll found a coding problem and a make-up amount would be forthcoming.

Mr. Warren questioned why two withdrawals in March 2011 were not shown. [It was reported after the meeting that two withdrawals near end of March were not reflected in the March 23, 2011 bank statement as the two withdrawals were related to April 1st. distributions.]

The calculated net annualized investment return of the pension trust over the 9-month period under review was 23.67% as shown in Table 4. This reflects a significant recovery in stock investments.

However, the report shows on page 15, a net annual investment return of 5.21% over 14.75 years from July 1, 1996 to March 31, 2011. The table shows 5 years with negative investment returns.

Mr. Prien observed current investment policy shown on Page 14 and stated that 72.8% of the pension trust fund currently in equities was reasonable close to current target of 70% - a significant improvement over prior time periods.

Mr. Warren asked about the investment proposals presented at the last year's meeting. Upon review of notes, Mr. Villarreal reported there was no quorum at the December 7, 2010 meeting when Mr. David Couch of Morgan Stanley Smith Barney presented a proposal of Global Equity and a representative from First Trust presented Stonebridge preferred securities. No action could be taken by the Retirement Committee at that time due to no quorum.

Ms. Lettie De Dios asked about an investment policy. She questioned the 6% interest credited to the participants' accounts and 7.75% assumption of future funding vs. 5.4% of actual annual investment return experienced by the trust fund over a long term. Mr. Prien stated that the special matters of the June 30, 2010 actuarial valuation report shows the additional estimated City's contributions to reduce the interest assumption from 7.75% to 7.5% which was not recommended by the City Manager in light of the City financial conditions.

Ms. Lettie De Dios brought to the attention about the CCF employees and the consequences that would affect the Pension plan.

Upon discussions, a motion was made by Mr. Don Campbell and seconded by Ms. Lidia Albiar to accept the financial report. *Motion passed unanimously.*

[Mr. Richard Kirkwood joined the meeting at 2:50 p.m.]

Mr. Warren proceeded to the last item on agenda of agreement of Prien Associates, Inc.

Attorney Alan Peake reported that Mr. Prien does not agree to items #10 and #11 of the proposed draft agreement as added by the attorney.

Mr. Campbell said a 90-days termination notice is acceptable. Mr. Warren agreed a 90-day notice both by the City and by the contractor is acceptable. Attorney Alan Peake stated that one-way of 90-day notice is to protect the City. Ms. Lidia Albiar agreed.

There were discussions about the insurance requirements. Mr. Prien stated that the premium fees for these products are high and Prien Associates, Inc. does not include these fees on the fees that were submitted to the City.

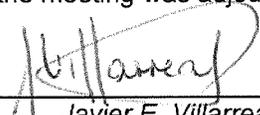
After a more discussions the Committee recommended that Mr. Prien should request a consideration of costs of insurance be factored into the contract.

Mr. Prien stated there have been no issues with the service or payments in the past 20 years and he would appreciate continuing the same level of service.

At this point, Ms. Albiar requested to be excused from the meeting as she has another meeting to attend elsewhere.

ADJOURNMENT

There being no further business, by motion passed the meeting was adjourned at 3.34 p.m.



Javier E. Villarreal,
Recording Secretary