

## **RETIREMENT COMMITTEE MINUTES**

### **REGULAR MEETING OF OCTOBER 17, 2011**

Chairman Warren called the meeting to order at 2:07 p.m. in the Council Chambers.

#### **ROLL CALL**

Chairman Edwin Warren: present  
Don Campbell: present  
Gary Langston: present  
Lidia Albiar: present

#### **OTHERS PRESENT**

Rosa Rios, Finance Director, 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  
Priens Associates, Inc.

Chairman Ed Warren opened the meeting at 2:07 p.m. with the first item on agenda, which is to review 6 prior meeting minutes: Minutes of November 17, 2010 regular meeting, Minutes of January 18, 2011 special meeting, Minutes of March 16 special meeting, Minutes of March 21, 2011 special meeting, Minutes of May 18, 2011 special meeting, and Minutes of September 13, 2011 special meeting.

A motion was made by Mr. Don Campbell and seconded by Ms. Lidia Albiar to approve all the Minutes. *Motion passed unanimously.*

Next Chairman Ed Warren referred to Mr. Prien for his presentation of the annual Actuarial Valuation Report.

Mr. Prien began with an overview of Table 6 of the actuarial report which provides a total cost percentage of 23.605% times \$8,052,394 covered compensation or \$1,900,768 as the estimated contribution requirement for the current fiscal year beginning on July 1, 2011. He observed the cost percentage of 23.605% is slightly lower than 23.848% for the prior fiscal year due to overall favorable experience discussed on page 29 of the report. The net annual investment return of the trust fund in the year ended June 30, 2011 was 17.69% compared to the assumption of 7.75% for long term future years. The annual rate of covered compensation had declined 5.9% from \$8,552,939 to \$8,052,394. He also mentioned that the expenses were in excess of the assumption of \$110,000. The expenses paid to update the pension plan exceeded \$100,000.

At this point Mr. Warren referred to the new Ordinance regarding Pension Committee which states the Committee has no authority or responsibility to control management. Mr. Langston and Mr. Campbell requested a listing of the expenses charged to the City's pension trust account. Ms. Sylvia Bermudez told them that Finance Department will provide on a monthly basis the financial report for the Pension Plan.

He further observed that a change in the interest assumption from 7.75% per year to 7.50% could raise the cost percentage to 25.319%, shown in Table 7, which is 1.714% of covered compensation or an additional \$138,018 for the fiscal year July 1, 2011 to June 30, 2012.

Mr. Ed Warren reminded the Committee that following the actuarial valuation last year, Committee recommended to lower the interest assumption for funding the pension fund; however, it was not implemented by the City due to its fiscal restraints at the time. He recommended that City Council be requested to approve a reduction in the interest assumption.

Other factors were also reviewed regarding the experienced gains and losses. The funding ratio of actuarial assets to total liabilities is 68.3% as reported on page 36. The 4.5% increase from 63.8% in the prior fiscal year reflects a net investment return of 17.69% in the fiscal year ended June 30, 2011. Mr. Prien also noted the amounts of distribution for laid off employees of the Correction Facility. The total amount withdrawn of \$773,512 from September 1, 2011 to November 1, 2011 is approximately 40% of the 58 members at the Correction Facility on June 30, 2011.

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

Mr. Ed Warren questioned whether the two records of payments to D. Witcher may reflect an overpayment. Ms. Bermudez stated that the participant has specifically requested a lump sum payout of her account balance shortly before she passed away. The remaining balance is a death benefit to be paid to her beneficiary. At a later time, Mr. Prien also confirmed with the Committee this fact.

After more explanations about the Actuarial Valuation, a motion was made by Mr. Don Campbell and seconded by Mr. Gary Langston to accept the June 30, 2011 Actuarial Valuation Report. Mr. Langston requested to include a recommendation to the City Council to reconsider change the interest assumption from 7.75% to 7.5%. *Motion passed unanimously.*

Chairman Ed Warren then requested Mr. Prien to present the quarterly report of financial transactions of the pension trust fund for the 3 months period from July 1, 2011 to September 30, 2011.

Mr. Prien referred to a \$500,000 transfer from MorganStanley SmithBarney to Chase Bank account to ensure adequate funds to pay terminating employees of the Correctional Facility who elected to receive their respective account balances. This transaction was authorized by the Committee at a prior special meeting on September 13, 2011.

Table 4 reflects the annualized net return of the various investment accounts in the 3-month period ended September 30, 2011. The overall annualized negative return of (42.29%) was better than the indices shown of Dow Jones, Nasdaq and S&P500. The stock market had taken a brief downturn in September 2011. The investments with Great West Life and Pacific Life continued to reflect annual returns of 3.37% and 5.40%, respectively.

After a detail explanation of the financial transactions for the quarter, Mr. Warren asked if there was any question, before going to the next agenda item.

It was addressed the question of unpaid vacation and sick leave hours as additional credited service in the calculation of the participant's monthly pension at retirement.

Mr. Prien reported that he understood the CalPERS recognizes unpaid vacation and sick leave for the calculation of pension benefits. He feels the new pension plan document should be corrected if these hours are to be included.

*[Ms. Lidia Albiar left the meeting at 4:00 p.m.]*

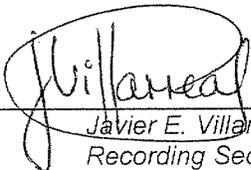
A motion was made by Mr. Don Campbell and seconded by Mr. Langston that a recommendation

be made to delineate the provision whether to grant the unpaid sick leave and vacation hours in calculating the pension benefits with the plan document and City Ordinance to be reflected in a consistent manner.

Mr. Warren went to the last item of the agenda, which is the service agreement with Prien Associates, Inc. and asked if Prien did anything in order to comply with the agreement. Mr. Prien explained that for over 20 years the City did not ask them to have insurance and they did not think they should have it. Mr. Warren and Mr. Campbell explain them the need to have insurance in order to comply with Risk Management and with the new requirements the new agreement has it. On prior meeting, Prien has been asked to submit their new fees including insurance but it has never done. This issue will be discussing again in the next regular meeting.

***ADJOURNMENT***

There being no further business, by motion passed at 4:13 p.m. to adjourn the meeting.

  
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Javier E. Villarreal,  
Recording Secretary