

MINUTES

CITY OF DELANO PENSION COMMITTEE – REGULAR MEETING November 5, 2012

CALL TO ORDER

Chairman Warren called the meeting to order at 2:03 p.m. in the City Hall Council Chambers, 1015 – 11th Avenue.

ROLL CALL

Committee Members present: Don Campbell, Gerald Gruver, Ed Warren, and Gary Langston.
Committee Members absent: Lidia Albiar.

OFFICIALS PRESENT

Finance Director Rios, City Clerk Kraft, Assistant Finance Director Bermudez, Recording Secretary Villarreal, Barthus J. Prien and Tiao-Tiao Hsu from Prien Associates.

CONSENT AGENDA

- 1) Minutes of Regular Pension Committee meeting of August 6, 2012
- 2) Minutes of Special Pension Committee meeting of August 13, 2012

Moved by Committee member Gruver, seconded by Committee member Campbell and *unanimously carried* to accept the Minutes of the Pension Committee meetings of August 6, 2012, and August 13, 2012.

REGULAR AGENDA

- 3) Review of financial transactions for July 1, 2012 through September 30, 2012.

Mr. Prien reviewed the financial transaction from July 1, 2012 through September 30, 2012. He started explained table 1 which shows withdrawals and contributions. The total withdrawals were \$448,555.99, and the contributions were \$458,296.40 leaving a balance at the end of September 2012 of \$147,998.71. Mr. Prien stated that the average monthly amount of benefit distribution was \$149,518.66. The balance at the end of June 2012 was \$138,253.23. He mentioned that the contributions include Mr. Abdel Salem rollover of \$123,317.24.

Mr. Langston asked when the City will pay the contribution for Mr. Salem. Finance Director Rosa Rios stated that the City will make the payments every two weeks, along with the regular contribution.

Mr. Prien went further explained in detail each different accounts (Great West Life, Farmers & Merchant Bank, Stifel Nicolaus, MorganStanley SmithBarney and Pacific Life Insurance.

He also mentioned the rate of return, stating that the average net investment return over 16 years from 1996 to 2012 has been 4.70%, approximately 2.80 percentage points lower than the long term interest assumption of 7.50% compounded annually for the next 20 to 30 years.

At this point, there was a question about Pacific Life Insurance fees. This fixed investment account doesn't have any monthly fees.

Finance Director Rosa Rios, excused herself for the meeting, and also recommended to table the Agenda item #4 in order to have time to review it, because staff just received the report today.

At this point a motion was made by Mr. Ed Warren and seconded by Mr. Don Campbell to accept the financial report as presented. *Motion passed unanimously.*

4) Actuarial Valuation report by Prien & Associates as of June 30, 2012

Mr. Langston asked if there is any objection to table this item. There was not.

Finance Director Rosa Rios left the meeting at 2:41 p.m.

Mr. Prien began stating that page 2 thru page 7 refers to the provisions of the Pension Plan. Then he mentioned that on page 8 is the Census data where it shows the total number of active employees and the changes over the years. There were some questions and answers about some retirees and also about the CCF employees, which were laid-off.

Mr. Prien explained in detail each table. He mentioned that the 10-year average investment return is 4.25%, which is less than the interest assumption (7.5%). Then he went to explain Table 7 of the actuarial report which provides a total cost percentage of 31.64% times \$6,360,344 covered compensation or \$2,012,427 as the estimated contribution requirement for the fiscal year 2013. He observed the cost percentage of 31.640% is 8.035% higher than 23.605% for the prior fiscal year.

He also mentioned that for valuation purposes, they assumed annual expenses, other than investments fees, payable directly from the trust fund will be \$120,000 for the year ending June 30, 2013.

It is also important to mention that there is a decrease in the annual covered compensation from \$8,052,394 to 6,630,344 or 21%.

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.

After more explanations about the Actuarial Valuation, Mr. Langston stated that the Actuarial Valuation could be accepted but not approved. In order to approve the Actuarial Valuation there will be a special meeting in two weeks. A motion was made by Mr. Don Campbell and seconded by Mr. Gerald Gruver to table this item and call special meeting. *Motion passed unanimously.*

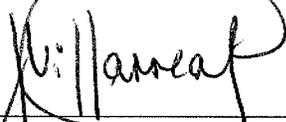
Ms. Phyllis A. Kraft left the meeting at 3:15 p.m.

Mr. Ed Warren left the meeting at 3:40 p.m.

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ADJOURNMENT

Moved by Committee member Gruver, seconded by Committee member Campbell, and unanimously carried to adjourn the meeting at 4:54 p.m.

A handwritten signature in black ink, appearing to read "Villarreal", is written over a horizontal line. The signature is stylized and cursive.

Javier E. Villarreal, Recording Secretary