

MINUTES

CITY OF DELANO PENSION COMMITTEE – REGULAR MEETING August 5, 2013

CALL TO ORDER

Chairman Warren called the meeting to order at 2:00 p.m. in the City Hall Council Chambers, 1015 – 11th Avenue.

ROLL CALL

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

OFFICIALS PRESENT

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

CONSENT AGENDA

- 1) Minutes of Regular Pension Committee meeting of May 6, 2013.

Moved by Committee member Campbell, seconded by Committee member Gruver and *unanimously carried* to accept the Minutes of the Pension Committee meeting of May 6, 2013.

REGULAR AGENDA

- 2) Presentation and discussion about City of Delano's Employee Pension Plan expenses and contributions by Mrs. Rosa Rios, City of Delano Finance Director.

Mrs. Rios said that the Committee asked her to look into the allocation of expenses and contributions and why is always a negative cash balance on the financial statements. She stated that reviewing the expenses, there are overhead charges, administrative cost, audit cost and bank service fees; which are reasonable charges. The reason for the negative cash balance is because of the lack of cash. The revenue for the Pension Fund goes to the Fiscal Agent bank account and not to the City's bank account. The expenses have been paid from the city's pooled cash account. She mentioned that in the past a portion of the contributions were held by the City in order to cover the expenses, but the City is not doing this anymore.

Mr. Warren asked about expenses for Professional services (Hanson Bridges) that have been charged to the Pension Fund. Mrs. Rios said that those charges have been reclassified to the General Fund.

Mrs. Hsu asked how the City would cover the negative cash balance. Mrs. Rosa Rios said that she will research more and find out why the City changed the practice of holding part of the contributions, in order to cover the Pension Fund expenses.

Mr. Warren asked if the Actuarial Valuation would be done every year or every two years. Mrs. Rios said that originally should be every two years but do to the fact that there were some changes on salaries; she will recommend having the Actuarial Valuation done for Fiscal Year 2012-13.

At this point a motion was made by Committee member Mr. Gerald Gruver and seconded by Committee member Mr. Don Campbell to accept the presentation. *Motion passed unanimously.*

- 3) Presentation about implementation of GASB 67 and GASB 68 by Mrs. Rosa Rios, City of Delano Finance Director.

Mrs. Rios said that the Committee asked on prior meeting about GASB 67 and GASB 68 implementation; she stated that GASB 67 and GASB 68 amended GASB 25 and GASB 27. The changes are for presentation purposes. Basically the highlights of the changes are the elimination of the Annual Requirement Contribution concept for recognizing pension expense. It introduces the Net Pension Liability concept and significant increase in disclosures and information reported as Required Supplementary information. She explained that the Net Pension Liability (NPL) is the unfunded pension obligation a government is responsible to pay. It equals total pension liability less plan net position and also replaces the current cumulative difference between the annual pension cost and contribution made. It will be reported on the face of a government's accrual basis financial statements and will substantially increase the liabilities reported for most governments.

She said that the changes are effective for fiscal years beginning after June 15, 2014, she is been proactive and she is working with the auditors to trying to implement those changes on the financial ended June 30, 2013, so when 2014 comes we will be providing the required information.

Mr. Ed Warren mentioned that all these changes could be a kind of reaction of the pension liabilities, pension risk and also couple major cities declared bankruptcy.

Mr. Gruver asked if the changes affect the Pension Fund and Mrs. Rios said again that is only for presentation purposes.

After a few more questions, which were answered by Mrs. Rios, member Don Campbell made a motion to accept the presentation; it was seconded by member Gerald Gruver. *Motion passed unanimously.*

- 4) Presentation of City of Delano's Premium Supplement Program Actuarial Valuation as of June 30, 2013, by Prien Associates, Inc.

Mr. Prien made his presentation for the Premium Supplement Program Actuarial Valuation, which is required to be done every two years. He mentioned that the plan sponsor doesn't have to fund it, like the Pension fund. The assumptions and calculations are similar at what is applied to the Pension system.

He said that the benefits are explained on Page 2 and the benefits expired as soon as the participant attains age 65 when eligible to apply for Medicare benefits. Also he said that there are few participants as it shows on table 1. He explained in detail the benefits and mentioned that the total liability as of June 30, 2013 is only \$129,216.

Mr. Prien explained further more about the active participants and their age group, the cost and liabilities with medical trend of 6% per year and medical trend of 8% per year. After a few comments, Mr. Gerald Gruver made a motion to accept the presentation; it was seconded by Mr. Don Campbell. *Motion passed unanimously.*

- 5) Review of financial transaction for July 1, 2012 through June 30, 2013

Mr. Prien reviewed the financial transaction from July 1, 2012 through June 30, 2013. He started explained table 1 which shows withdrawals and contributions. The total withdrawals were \$1,859,140.23,

and the contributions were \$1,936,173.52, which includes \$100,000 that has been transferred from MorganStanley BarneySmith, leaving a balance at the end of June 2013 of \$215,310.54. He also said that beginning December 2012, the City increased the contributions because of the change on the interest assumption from 7.75% to 7.50%, and the average covered compensation decreased reflecting the termination of the employees at CCF. The percentage of covered compensation went from 23.605% to 31.64%.

He explained about table 2, which refers to Great West Life and table 3 that includes all the accounts for the Pension Plan.

Then he mentioned that the annualize net return for investments it was equal to 12.04%, which is good; then he mentioned that on page 20, there is a table where it shows the 17-year average investment return as only 5.13%, which is approximately 2.37 percentage points lower than the long term interest assumption of 7.50%.

After a couple questions, Mr. Don Campbell made a motion to accept the financial transactions for July 1, 2012 through June 30, 2013; it was seconded by Mr. Gerald Gruver. *Motion passed unanimously.*

ADJOURNMENT

Moved by Committee member Gerald Gruver, seconded by Committee member Don Campbell, and unanimously carried to adjourn the meeting at 3:25 p.m.



Javier E. Villarreal, Recording Secretary