

MINUTES

CITY OF DELANO PENSION COMMITTEE – REGULAR MEETING November 4, 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, Gary Langston, and Gerald Gruver.
Committee Member absent: Lidia Albiar.

OFFICIALS PRESENT

Human Resources Director Zamudio, City Clerk Kraft, Recording Secretary Villarreal, and Barthus J. Prien and Tiao-Tiao Hsu from Prien Associates.

CONSENT AGENDA

- 1) Minutes of Regular Pension Committee meeting of August 5, 2013.

Moved by Committee member Langston, seconded by Committee member Gruver and *unanimously carried* to accept the Minutes of the Pension Committee meeting of August 5, 2013.

REGULAR AGENDA

- 2) Actuarial Valuation report by Prien & Associates as of June 30, 2013

Mr. Prien began explained Table 7 of the actuarial report which provides a total cost percentage of 34.265% times \$6,271,116 covered compensation or \$2,148,770 as the estimated contribution requirement for the fiscal year 2014. He observed the cost percentage of 34.265% is 2.625% higher than 31.64% for the prior fiscal year. Mr. Prien stated that one of the factors was that the contribution rate went up substantially in the middle of this year under review (from 23.605% to 31.64%), and the City didn't pay the additional contribution for about five months from July 2012 to November 2012.

Mr. Prien explained in detail each table. He mentioned that the 10-year average investment return is 5.44%, which is 2.06 percentage points less than the interest assumption (7.5%). Also, he did mention about mortality and others factor that affect retirement.

Mr. Ed Warren asked why the City has not been contributed to the pension plan according to the Actuarial Valuation that has been approved by the Committee. Mr. Villarreal said that this usually happen because the actuarial valuation has been approved on November and the increase takes effect on the following month (December). This will happen again this year because it is already November and it will be approve today, so the increase will take effect next month. It goes for 12 months until the next Actuarial Valuation is approved.

Mr. Ed Warren would like to include in the minutes a motion stating the City needs to make the required contributions.

At this point a motion was made by Committee member Campbell that recommends the City make the required contributions to the pension plan in a timely matter; it was seconded by Mr. Gruver. *Motion passed unanimously.*

Mr. Prien went back to the Actuarial Valuation; he explained the formula for the benefits, which is on page 2; also he did explain the estimate income replacement ratios for retiring employees when they attain age 62. He also mentioned that the funding ratio of retirement benefits is 62.4%.

After more explanation about the Actuarial Valuation, a motion was made by Mr. Gerald Gruver and seconded by Mr. Don Campbell to accept the Actuarial Valuation as of June 30, 2013. *Motion passed unanimously.*

3) Review of financial transaction for July 1, 2013 through September 30, 2013

Mr. Prien reviewed the financial transaction from July 1, 2013 through September 30, 2013. He started with table 4, which shows an annualized net investment return of 22.00% and also it compares with the other indices (Dow Jones, Nasdaq, S&P 500 and FTSE100).

He also mentioned that a 17 year average of investment return is 5.13%. He also explained about the investment fees for the 3-month period, which were 1.11%, slightly lower than 1.15% in the fiscal year ended June 30, 2013.

Mr. Prien mentioned about the account with Pacific Life, which has a 5.40% return per year; the contract also includes a 7% graded to 1% penalty if funds are withdraw within first seven year since March 17, 2009.

He reviewed table 1 which shows withdrawals and contributions. The total withdrawals were \$440,702.99, and the contributions were \$463,910.16, leaving a balance at the end of September 2013 of \$238,531.50.

After some questions, Mr. Don Campbell made a motion to accept the financial transactions for July 1, 2013 through September 30, 2013; it was seconded by Mr. Gary Langston. *Motion passed unanimously.*

ADJOURNMENT

Moved by Committee member Gerald Gruver, seconded by Committee member Don Campbell, and unanimously carried to adjourn the meeting at 3:23 p.m.



Javier E. Villarreal, Recording Secretary