

MINUTES

CITY OF DELANO PENSION COMMITTEE – REGULAR MEETING November 3, 2014

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

OFFICIALS PRESENT

City Manager Mrs. Maribel Reyna, Finance Director Mrs. Rosa Lara Rios, Human Resources Director Mrs. Noemi Zamudio, Assistant Finance Director Mrs. Sylvia Bermudez, City Clerk Ms. Phyllis 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 4, 2014.

Moved by Committee member Campbell, seconded by Committee member Gruver and *unanimously carried* to accept the Minutes of the Pension Committee meeting of August 4, 2014.

REGULAR AGENDA

- 4) Actuarial Valuation Report as of June 30, 2014.

Mr. Prien explained in detail each table. He mentioned that the 10-year average investment return has been 5.68% and 10.36% in the recent 5 years.

Mr. Prien explained Table 7 of the actuarial report which provides a total cost percentage of 26.177% times \$9,438,475 covered compensation or \$2,470,732 as the estimated contribution requirement for the fiscal year 2015.

After a few questions, which were answered by Mr. Prien, a motion was made by Mr. Gerald Gruver and seconded by Mrs. Lidia Albiar to accept the Actuarial Valuation as of June 30, 2014. *Motion passed unanimously.*

- 2) Presentation and discussion of portfolio performance by Mr. Bob Abraham of Stifel Nicolaus.

Mr. Bob Abraham started his presentation at 2:33. He explained in detail each individual account that the Pension Plan has with Stifel Nicolaus, but he focused on Good Harbor account.

He said that Good Harbor lost 16.15% year to date (January thru October).

He mentioned that there have been three times along the year when the market dropped, the first one happened on April, the market dropped for about 6 days and then almost recovered all its losses in 6 days; the second time took place sometime on August 2014 and the market dropped for 10 days and in 8 days recovered all the losses. Good Harbor in both cases tried to be defensive, took small losses, got out of the market and went into bonds, just in time when the market turned around and went back again. But the worse

example for the poor performance of Good Harbor is the last time that the market dropped, it happened around middle of September, when the market had a sharp drop for about 20 days and it recovered it in 11 days. Good Harbor waited too long, turn defensive almost at the end of this period.

He explained why they invested on Good Harbor. It was because it had a good 10 years performance record and it have been done well when the market is nor doing well.

At this point he recommended to move the money from Good Harbor and invest in the other accounts that have been performed well, because he thinks that the way market is acting will not change in the near future.

Mrs. Reyna asked him, why he waited so long in order to change and get out from Good Harbor. She is very concern about why he didn't take any action to try to avoid this situation. She stated that Mr. Abraham is responsible to watch the performance of the market and make recommendations base on his analysis and this time he didn't do it, he waited too much, because this account started losing from the beginning.

Mr. Abraham answered that usually the managers have at least couple years in order to evaluate their performance and he understand what Mrs. Reyna is saying.

When he saw the September 2014 results he was ready to recommend the Committee to get out of Good Harbor. Also he stated that he is willing to come for a meeting, when the Committee needs him.

There were some questions, which were answered by Mr. Abraham, and after that he recommend to move the assets invested with Good Harbor into the other accounts as follows:

- Columbus Circle and Wedgewood	15% each, totalizing	30%
- Atalanta Sosnoff, Eaton Vance, Confluence	10% each, totalizing	30%
- Anchor, Madison, Kayne Anderson	10% each, totalizing	30%
- Allianz Global and Invesco/AIM Int'l	5% each, totalizing	10%

Committee member Campbell mentioned that at one time the City Manager had the authorization to make decisions on a daily basis, on investments issues, with another investment manager; and he asked if Mrs. Reyna is willing to take this responsibility. Mrs. Reyna said that we can look into something like that, but the main problem in this particular case is that it was wrong to wait that long in order to make any change.

At this point a motion was made by Committee member Gruver and seconded by Committee member Campbel, to discontinue the investment on Good Harbor and leave the proceeds on Farmers & Merchant Bank until the Committee decide how to invest it, until the next Special meeting on November 17, 2014.

Motion passed unanimously.

Mr. Warren thanked Mr. Abraham for his presentation and Mr. Don Campbell suggested that Mr. Abraham send to the Committee a written recommendation before the next special meeting.

Mrs. Lidia Albiar left the meeting at around 3:00 p.m.

3) Presentation and discussion of portfolio performance of MorganStanley SmithBarney.

Mr. Rupert Gregorio started his presentation at 3:24 p.m. He presented Ms. Melissa Gutknecht, who is the regional director of the consulting group. Mr. Gregorio went over the portfolio through June 30, 2014. Ms. Gutknecht explained about Model 5, Tactical with Alternatives, and Firm Discretionary Models. After some questions and answers, they ended their presentation at 4:09 p.m. No action has been taken.

Mr. Warren thanked Mr. Gregorio and Ms. Gutknecht for their presentation.

5) Review of financial transaction for July 1, 2014 through September 30, 2014

Mr. Prien reviewed the financial transaction from July 1, 2014 through September 30, 2014. He started with table 4, which shows an annualized net investment return of -4.67% and also it compares with the other indices (Dow Jones, Nasdaq, S&P 500 and FTSE100).

He also mentioned that an 18 year average of investment return is 5.70%. He also explained about the investment fees for the 3-month period, which were 1.13%, which is 0.08% higher than 1.21% in the fiscal year ended June 30, 2014 and 0.02% higher 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 \$654,872.32, and the contributions were \$853,846.90, reflecting \$731,941.23 deposits in Chase Bank plus \$121,905.67 deposits in Stifel Nicolaus liquid fund.

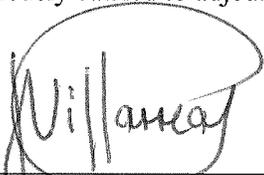
Mr. Don Campbell made a motion to accept the financial transactions for July 1, 2014 through September 30, 2014; it was seconded by Mr. Gerald Gruver. *Motion passed unanimously.*

6) Discussion and approval reimburse of \$18,189.67 to the City of Delano.

Moved by Committee Member Campbell, seconded by Committee Member Gruver, and unanimously carried by all those present to authorize payment of the reimbursement of \$18,189.67 to the City of Delano from funds held at Chase Bank or whatever other funds are available (similar liquid asset accounts).

ADJOURNMENT

Moved by Committee member Gerald Gruver, seconded by Committee member Don Campbell, and unanimously carried to adjourn the meeting at 4:24 p.m.



Javier B. Villarreal, Recording Secretary