

## MINUTES

### CITY OF DELANO PENSION COMMITTEE – REGULAR MEETING February 2, 2015

#### CALL TO ORDER

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

#### ROLL CALL

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

#### OFFICIALS PRESENT

Finance Director Lara Rios (showed at the meeting at 2:22 p.m.), Assistant Finance Director Bermudez, City Clerk Kraft, Recording Secretary Villarreal, Jennifer Haney representing Mayer Hoffman McCann P.C., and Barthus J. Prien and Tiao-Tiao Hsu from Prien Associates.

#### CONSENT AGENDA

- 1) Minutes of Regular Pension Committee meeting of November 3, 2014.  
Minutes of Special Pension Committee meeting of November 17, 2014.

Moved by Committee member Campbell, seconded by Committee member Gruver and *unanimously carried* to accept the Minutes of the Pension Committee meetings of November 3, 2014 and November 17, 2014.

#### REGULAR AGENDA

- 2) Review of financial transaction for the period July 1, 2014 through December 31, 2014

Mr. Prien reviewed the financial transaction from July 1, 2014 through December 31, 2014. He mentioned that the Fund is funded by itself. He started explain table 1, which are the funds with Chase Bank. Also, he said that the contributions for September 3, 2014, October 2, 2014 and October 28, 2014 were deposited in Stifel Nicolaus Liquid Assets account. He also mentioned that table 2 shows the funds with Great West Life, which holds lithe over 4.3 million dollars.

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.

Table 4, shows an annualized net investment return of 2.81% and also it compares with the other indices (Dow Jones, Nasdaq, S&P 500 and FTSE100).

Mr. Prien explained in detail the report and Mr. Ed Warren made a comment that on page 18 of the report, it shows 18 years of annual rate of return, and 11 years of the 18 years the return exceeded the long term interest assumption.

After a few questions and answers, and a brief discussion, Mr. Gary Langston made a motion to accept the financial transactions report for July 1, 2014 through December 31, 2014; it was seconded by Mr. Don Campbell. *Motion passed unanimously.*

- 3) Presentation and discussion of portfolio performance by Mr. Bob Abraham of Stifel Nicoalus.

Mr. Bob Abraham started his presentation at 2:41. He started explained page 1 which shows the consolidated performance for the whole calendar year 2014, which is 5.5% and compare with the indices, which are S&P 500 (Large Cap), Russell 200 (Small Cap) and MSCI EAFE (international). He mentioned that in this performance is included the lost that we incurred with Good Harbor account.

He went to analyze each individual manager. First were the Large Cap Growth, then Large Cap Value, Mid Cap Core, Mid-Cap Value, Small Cap Value and the International Value. He explained each individual manager and their performance; some of them were doing fine but others were negative. Some of them beat their benchmark. He explained the performance of the large cap, mid cap, small cap and international and he stated that on 2014 the large cap and the mid cap performed really well; the small cap didn't do well and for the international was not a good year.

He mentioned and explained about the average public pension fund asset allocation. Then he explained in detail how it works the investment we have on Genworth Fixed Index Annuity (page 11).

He went to explain his recommended action, which is as follows:

- 1) Invest the \$594,000 in the cash account with:
  - \$300,00 in Apex Capital Small/Mid Cap Growth Portfolio and
  - \$294,000 in Ziegler Capital MVP Small Cap Core Portfolio.
- 2) Transfer \$250,000 from the Atalanta Large Cap Equity Portfolio to a new manager – Legg Mason Clearbridge Large Cap Growth and another \$250,000 from Atalanta to Confluence Large Cap Value.
- 3) Transfer \$250,000 from Allianz NFJ International Value to Invesco International Growth.

He explained the reason to invest in Apex, Ziegler and Legg Mason Clearbridge. He said that this managers got better returns than their benchmarks and he emphasize about the up capture ratio and down capture ratio of these managers.

After a few questions about the new managers, which Mr. Abraham answered, a motion was made by Committee member Campbell to accept the recommended action; it was seconded by Committee member Langston. *Motion carried unanimously.*

Mr. Abraham ended his presentation at 3:42 p.m. Mr. Warren thanked Mr. Abraham for his presentation.

Break for 5 minutes at 3:45 p.m.  
*[Meeting was resumed at 3.50 p.m.]*

- 4) Presentation of portfolio performance of MorganStanley SmithBarney; discussion and any action regarding this portfolio

Mr. Rupert Gregorio didn't show up for the meeting.

Mr. Warren said that the Committee is not happy with the results of the investments but more important is that they would like an explanation from MorganStanley

Mrs. Rosa Lara Rios asked to the Committee members if they would like to have a special meeting with Mr. Rupert Gregorio of MorganStanley SmithBarney. They decided to have the special meeting on February 17, 2015 at 2:00 p.m. Staff will send a letter to MorganStanley representative, Mr. Rupert Gregorio, so he can be at this meeting to explain the performance, present a recommendation and base on that the Committee could take any action.

A motion was made by Committee member Gruver and seconded by Committee member Langston, to have special meeting on February 17, 2015 at 2:00 p.m. to hear the presentation of portfolio performance of MorganStanley SmithBarney. *Motion carried unanimously.*

- 5) Presentation and acceptance of the City of Delano Employee Pension Plan Financial Statements and Supplemental Schedule, for the Fiscal Year ended June 30, 2014

Mrs. Rosa Lara Rios presented Jennifer Haney, an auditor from Mayer Hoffman McCann P.C., who is here to answer any questions regarding the financial statements and also for the recommendations made by the auditors (Form a formal Audit Committee and have a formal investment policy).

Mr. Campbell asked her what it does mean with Investment Policy; she said that the Pension Plan doesn't have a formal written investment policy. The Pension Plan have only an investment allocation and it isn't the same.

Mr. Warren referring to the audit committee, he said that would be better if this audit committee should be outside of this Committee. Ms. Haney said that could be two members of the Pension Plan Committee that will act as an Audit Committee. Mr. Warren replied that should be better if the Audit Committee would be independent.

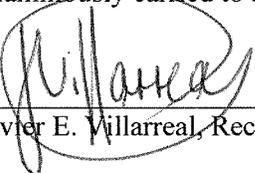
Referring to the Investment Policy, Mr. Warren mentioned that in the last regular meeting, Morgan Stanley said that they should be sending an Investment Policy to the City. Mrs. Rosa Lara Rios said that they didn't, at least she is not aware of that. Mrs. Hsu said that they can see into this and they can bring it for the next special meeting.

Mr. Warren said that for the next special meeting, the agenda will have three items: 1) Presentation of portfolio performance of MorganStanley SmithBarney; discussion and any action regarding this portfolio. 2) Review of the Investment guidelines and 3) Formal written Investment Policy.

At this point, a motion was made by Committee member Don Campbell and seconded by Committee member Gerald Gruver, to accept the City of Delano Employee Pension Plan Financial Statements and Supplemental Schedule, for the Fiscal Year ended June 30, 2014 and to discuss the formal Investment Policy on the next special meeting. *Motion carried unanimously.*

#### ADJOURNMENT

Moved by Committee member Don Campbell, seconded by Committee member Gerald Gruver, and unanimously carried to adjourn the meeting at 4:10 p.m.

  
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Javier E. Villarreal, Recording Secretary