

MINUTES

CITY OF DELANO PENSION COMMITTEE – SPECIAL MEETING August 17, 2015

CALL TO ORDER

Committee chairman Carlton Lennon called the meeting to order at 2:02 p.m. in the City Hall Council Chambers, 1015 – 11th Avenue.

ROLL CALL

Committee Members present: Don Campbell, Gerald Gruver, Abel Moreno and Carlton Lennon.
Committee Member absent: Gary Langston.

OFFICIALS PRESENT

City Manager Maribel Reyna, Finance Director Lara Rios, City Clerk Kraft, Morgan Stanley representative Jeremy Shumaker, 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 4, 2015.

Moved by Committee member Moreno, seconded by Committee member Gruver and *unanimously carried* to accept the Minutes of the regular Pension Committee meetings of May 4, 2015.

REGULAR AGENDA

- 2) Review of financial transaction for the period July 1, 2014 through June 30, 2015

Mr. Prien reviewed the financial transaction from July 1, 2014 through June 30, 2015. He started with Table 4, which is the Net Investment Return. He mentioned that the return for the fiscal year ended June 30, 2015 was only 3.44%; this return is related in part of the Good Harbor and the international portion of the investments performance. The 3.44% return is not so attractive and in the actuarial valuation is assuming a return of 7.5%. On page 21 there is the 18-year average return, which is 5.70%. If the current year is added the average return has been 5.58%, which is 1.92 percentage points lower than the long term interest assumption of 7.50% compounded annually for the next 20 to 30 years.

Mr. Prien went back to table 4 and stated that there are some investments that were performed well and others are showing negative returns. At this point it was some discussion about the Good Harbor performance. Committee member Don Campbell said that one of the biggest problem is that the Committee meets every three months; and in order to make changes quicker than the three months period it could be an alternative to have the trustees work closely with the investors. He mentioned that in the past the City Manager was working directly with one of the brokers. Mrs. Reyna said that what we need to do is following the ordinance a little closer. The ordinance provides the authority to the trustees, so according to it is the trustees obligation the follow up; also the financial adviser is the one that needs to watch how is the market doing and call the trustees if there is something that needs to be done.

There was some discussion about allocation, security, set-up the criteria that fits better for the plan, parameters, volatility, flexibility, risk and re-balancing. All of these should be include in the investment policy.

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Mrs. Reyna mentioned that we need to follow the agenda and the investment policy is the agenda item #4. Mr. Prien went back to review the financial transactions and he mentioned that on page 20 of the report it shows the pension plan allocation. He also noted that Table 1 shows all the contributions and withdrawals that occurred within the year.

Mr. Gerald Gruver asked about the ending balance on the Chase bank account. Prior year was \$102,431.55 and this year is \$46,919.22. Mrs. Hsu pointed out that on this account the money goes in and out. Some months employees that have been terminated or retired ask for withdraw and that is besides the regular monthly retirees payments.

Committee member Gruver asked that he would like to know how long the plan would survive before using the investments in order to pay the retirees. Mrs. Hsu said that the Great West Life is available and so far they don't see any problem. Mr. Moreno said that what we need is a projection as how long we have before using the investments to pay the retirees. As actuaries you can give us a forecast base on the employee's age. Mrs. Hsu said that they provide yearly the actuarial valuation. There was a brief discussion about this and at the end it was required by the Committee members that the actuaries need to present an actuarial projection for the next 10 to 15 years.

Moved by Committee Member Gruver, seconded by Committee Member Campbell, and unanimously carried by all those present to accept the report as presented.

- 3) Reimburse of \$85,649.56 to the City of Delano (see G/L Trial Balance report).

There were some questions about what makes up the total amount that needs to be reimburse to the City, which were answered by Mrs. Rosa Rios saying that there are expenses that the City pays in behalf of the Pension Plan which includes administrative costs and the audit. Moved by Committee Member Moreno, seconded by Committee Member Campbell, and unanimously carried by all those present to authorize payment of the reimbursement of \$85,649.56 to the City of Delano.

- 4) Review and discussion of the Investment Policy.

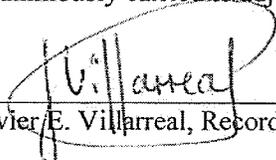
Mrs. Rosa Rios presented a draft Investment Policy for the Pension Plan. Mr. Campbell said that is a good starting point. The committee members asked questions about the target allocation and the approved range. There was a discussion about the interest assumption target, volatility, and other topics that needs to be include in the investment policy. They mentioned that the investment advisor is the one that needs to follow how the managers are performing and if they are under performing the index, then something has to be done in order to fix it, and the committee needs to be informed about it. After the discussion the Committee members decided to continue the review and discussion of it to the next meeting.

Mr. Carlton said that he would like to sit down with the investment advisors to hear their opinion on the investment policy.

Mr. Moreno asked to have a special meeting for the committee members and the trustees on August 25, 2015 at 2:00 p.m.

ADJOURNMENT

Moved by Committee member Gerald Gruver, seconded by Committee member Don Campbell, and unanimously carried to adjourn the meeting at 4:00 p.m.



Javier E. Villarreal, Recording Secretary