

## MINUTES

### CITY OF DELANO PENSION COMMITTEE – SPECIAL MEETING December 8, 2015

#### CALL TO ORDER

Chairman Lennon called the meeting to order at 4:05 p.m. in the City Hall Council Chambers, 1015 – 11<sup>th</sup> Avenue.

#### ROLL CALL

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

#### OFFICIALS PRESENT

City Manager Reyna, Finance Director Lara Rios, Assistant Finance Director Bermudez, City Clerk Kraft, City attorney Garcia, Recording Secretary Villarreal.

Others Present: Barthus J. Prien and Tiao-Tiao Hsu from Prien Associates; Robert Abraham from Stifel Nicolaus.

#### CONSENT AGENDA

- 1) Minutes of Regular Pension Committee meeting of August 3, 2015.
- 2) Minutes of special Pension Committee meeting of August 25, 2015.

Moved by Committee member Lennon, seconded by Committee member Moreno and *unanimously carried* by all those present to accept the Minutes of the regular Pension Committee meeting of August 3, 2015 and the Minutes of the special Pension Committee meeting of August 25, 2015.

Mr. Gregory Funk has been introduced as the new member of the City of Delano Employee Pension Committee.

#### REGULAR AGENDA

- 3) Status of a request made to Prien Associates by the pension plan trustees on behalf of the City of Delano Employee Pension Committee.

Mrs. Rosa Lara Rios said that she didn't hear from Prien Associates. She stated that she knows they have been busy doing the State Controller Report and answering to the auditors. She stated that she was waiting for a phone call from Prien, so they can schedule a meeting.

Mrs. Hsu said that they are waiting on the specific requests so they can start working on it.

There was a brief discussion and at the end the Committee decide that staff will get together with Prien to see how it can be done and if it is feasible or not. The next meeting the Committee will need to get information from Prien about this, so Prien needs to provide different options and estimate cost of it.

- 4) Review, Discussion and any action of the Investment Policy.

Mr. Gregory Funk suggested that the Draft of the Investment Policy 3.0 last paragraph needs to be changed in order to comply with the Investment Policy.

Mr. Carlton Lennon mentioned that we should have an asset allocation based on the target we are looking for. There was a brief discussion on how to come out with the right asset allocation.

Mr. Abraham pointed out on the Investment Policy numeral 5.0 which states: the investment objective is to provide the maximum return within the constraints described below while seeking to achieve and exceed the actuarial return assumptions utilized in the pension plan's long term forecast.

Mr. Carlton Lennon said that his concern with the Investment Policy is that the Committee holds a fiduciary liability and it should have a unified process to come out with the asset allocation and it doesn't have it. The Committee needs to decide what the process will be and it will need to be included in the Investment Policy. Also he mentioned that in order to determine an asset allocation we also need to take in consideration the risk on the investments. The Investment Policy should include the kind of risk we are taking in order to determine the asset allocation (it should state if is aggressive, moderate aggressive, or conservative.), because there is a relationship between risk and the investment policy.

After a brief discussion, committee member Gregory Funk said that there is a bigger risk if we don't have an Investment Policy in place, so he suggested to approve the Investment Policy and later on if it's needed, it can be amended. Mr. Carlton Lennon agreed with it.

Moved by Committee member Don Campbell, seconded by Committee member Carlton Lennon and *unanimously carried* by all those present to approve the Investment Policy with changes in paragraph 3.0 suggested by Mr. Funk. It should read: The committee will meet every quarter, or more frequently as circumstances dictate.

5) Actuarial Valuation Report as of June 30, 2015 and supplemental GASB 68 information.

Mr. Prien explained the Actuarial Valuation, starting with page 21 which refers to historical returns. Mrs. Hsu mentioned that the funding ratio is 68.2%. They explained the smoothing method, and they said that the city will need to contribute 24.47%.

Mr. Gregory Funk said that CalPERS is going to adopt a 6% interest assumption and the city should follow them. Mr. Print said that in page 21, on a 10 year average, CalPERS made 8.1%.

After a discussion, Mr. Moreno mentioned that he would like to know when the city will need to contribute more money in order to support the plan. Mr. Lennon said that he would like to know when the plan will go broke, because if the long term interest assumption is 7.5% and we are having a return of only 5.7%, then there will be a time that the Plan will run out of money. There was a brief discussion about this and at one point Mrs. Reyna suggested that we should request answers to all of these questions that come out at this meeting and previous ones.

Committee members Funk, Moreno and Chairman Lennon, all agreed to request an answer from Prien by January 11, 2016. Prien Associates need to provide an answer to when will the plan run out of money, at the current rates. They need to provide an analysis of the pension funding, anticipated cost going forward and forecast of the plan in a ten years from now.

Chairman Carlton Lennon made a motion to get these answers by January 11, 2016; it was seconded by Mr. Gregory Funk. *Motion passed unanimously* by all those present.

Mr. Lennon mentioned that the majority of pension plans, in the future, will be in trouble, so he would like to know at which level a pension plan should be considered unhealthy. Mr. Abel Moreno said that this criteria is for the private pension plans. After a brief discussion, the Committee decided to continue to discuss this item on the next meeting.

*Retirement Committee Meeting Minutes*

*December 8, 2015*

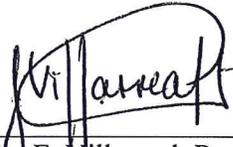
*Page 3*

Mr. Gregory Funk mentioned that the Actuarial Valuation Report and the supplemental GASB 68 information, which were not included in the Actuarial Valuation need to be approve and give to the auditors so they can finalize the audit and comply with the GASB 68 requirements. Mr. Abel Moreno said that Prien Associates needs to present another report and give it to the auditors in order to finalize the audit and be in compliance with GASB 68.

Moved by Committee member Abel Moreno, seconded by Committee member Carlton Lennon and *unanimously carried* by all those present to approve the Actuarial Valuation Report and the supplemental GASB 68 information.

**ADJOURNMENT**

Moved by Committee member Lennon, seconded by Committee member Campbell, and unanimously carried to adjourn the meeting at 5:46 p.m. *Motion passed unanimously.*



---

Javier E. Villarreal, Recording Secretary